



Annual Report

Year Ended 30 June 2023



CONTENTS

Financial Statements

| | |
|--|---------|
| Directors' Report | Page 3 |
| Consolidated Statement of Financial Position | Page 6 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | Page 7 |
| Consolidated Statement of Cash Flows | Page 8 |
| Consolidated Statement of Changes in Equity | Page 9 |
| Notes to the Consolidated Financial Statements | Page 10 |
| Directors' Report - Continued | Page 29 |
| Directors' Declaration | Page 32 |
| Auditor's Independence Declaration and Report | Page 33 |



Directors' Report

Pelorus Private Equity Limited (**Pelorus, Group or Company**) has grown total assets of the Group to \$61 million after closing the acquisitions of SAO Investments, Tidy Harold and Harold Investors.

- | | |
|--|---------------|
| • Gross Assets | \$61 million |
| • Statutory Net Tangible Assets (NTA) | \$0.187 |
| • Funds from Activities | \$1.7 million |

Pelorus is an unlisted public investment company. Following the completion of the acquisitions of SAO Investments Pty Ltd (**SAO**), Tidy Harold Pty Ltd (**Tidy Harold**) and Harold Investors Pty Ltd (**Harold Investors**) in November 2022 the Group's net assets have doubled to just over \$60 million. It is now an investment vehicle of some scale and is a significant investor in the ASX listed WOTSO Property (ASX:WOT) (**WOT**). In addition it holds positions in other direct property funds and also periodically takes positions in start-up businesses and other opportunistic investments.

Takeover Bid by BlackWall Limited (**BWF**)

On 24 August BlackWall announced an intention to make a take over bid of Pelorus. BlackWall is offering 1 BWF share for every 3 Pelorus shares. Further information and acceptance forms will be sent to shareholders over the coming weeks and the acquisition will also be subject to meetings held by BWF and WOT.

The Current Investment Portfolio

The snapshot below shows the current position of the consolidated Group while carving out the noise required by accounting standards. The Group's WOT holdings have increased primarily due to the acquisition of SAO. WOT continues to trade on the ASX below its NAV of \$1.51, the 30 June trading price used in the financial statements was \$1.14. If WOT was held at \$1.51 Pelorus' adjusted NTA per share rises to \$0.233. The acquisition of SAO has also increased the Group's holding of long-term investments that are not held for trading. Accounting standards require recognition of deferred tax on revaluation gains with these long-term investments, which we have adjusted below to arrive at a more realistic and commercial view of the Group's net asset position.

| | 2023 | 2022 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Cash and other receivables | 83 | 111 |
| Investment in WOT at ASX closing price (2023 - \$1.14/sec; 2022 - \$1.39/sec) | 36,154 | 25,131 |
| Investment in BWF | 2,255 | 1,518 |
| Investments in 743 Military Road, Mosman | 3,062 | - |
| Investments in 11-13 George Street, North Strathfield | 6,200 | - |
| Investments in 55 Pymont Bridge Road, Pymont | 6,039 | - |
| Investments in Pymont Bridge Mortgage Fund and Convertible Notes | 4,050 | - |
| Indirect investments in property trusts | - | 3,119 |
| Other investments | 1,656 | 2,509 |
| Loans receivable | 1,200 | 1,129 |
| Other assets | 68 | 68 |
| Total Assets | 60,767 | 33,585 |
| Borrowings | - | 4,011 |
| Other liabilities | 16 | 347 |
| Total Liabilities | 16 | 4,358 |
| Adjusted Net Assets | 60,751 | 29,277 |
| Adjusted NTA per Share | \$0.195 | \$0.219 |
| Statutory Adjustments: | | |
| - Deferred tax liability on unrealised investment gains | (2,455) | (4,263) |
| Statutory Net Assets | 58,296 | 24,964 |
| Statutory NTA per share | \$0.187 | \$0.187 |

This expanded balance sheet has resulted in higher income. Funds from activities, which excludes statutory accounting adjustments and other non-cash unrealised transactions, has increased 40%. In arriving at funds from activities we include WOT distributions, which are treated as returns of capital and are applied against the cost-base of the WOT investment for accounting purposes; and include the actual realised capital gain on investments disposed during the year while ignoring the unrealised gains accrued over the holding period of the investment.

| | 2023 | 2022 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Distributions - WOT | 1,431 | 925 |
| Distributions - Other | 549 | 288 |
| Finance income | 61 | 6 |
| Realised gains on disposal of assets | 344 | 561 |
| Other income | 4 | - |
| Total Income | 2,389 | 1,780 |
| Operating expenses | 571 | 495 |
| Financial costs | 115 | 65 |
| Total Operating Expenses | 686 | 560 |
| Funds from Activities | 1,703 | 1,220 |
| Statutory Adjustments: | | |
| - WOT Return of Capital | (1,431) | (925) |
| - Revaluation loss - WOT | (5,395) | (103) |
| - Revaluation loss - Other | (4,869) | 937 |
| - Depreciation | (40) | - |
| - Gain on acquisition of subsidiary | 9,917 | - |
| Statutory (Loss) / Profit Before Tax | (115) | 1,129 |

Investment Portfolio

WOTSO Property

WOT is Australia's first listed flexible property security which continues on its growth trajectory. WOT's portfolio now comprises 16 owned properties, 13 of which house a WOTSO Flexspace, as well as 10 other leased WOTSO sites. This growth trajectory has resulted in an increase of 21% in WOT's headline statutory revenue to \$48.5 million for the year, with flexspace occupancy increasing to 82% and owned property occupancy remaining steady at 95%. The Group holds 19% of WOT's issued securities.

BlackWall Limited

BWF is a listed property fund manager with capabilities across investment, asset development and property management. The largest fund that BWF manages is WOT, which has driven an annual increase in BWF's management fee income of 15%. As mentioned earlier BlackWall has announced a takeover proposal of Pelorus.

Property Asset Vehicles

The Group holds investments in three commercial properties in NSW at 55 Pyrmont Bridge Road, 11-13 George Street, North Strathfield and 743 Military Road, Mosman. Each of these properties saw revaluations during the year with the Pyrmont property being revalued to \$134.3 million; the North Strathfield property being revalued to \$46.5 million and the Mosman property being revalued at \$9.4 million. Each of these investments provide annuity income that will support the growth in funds from activities over time.

Private Equity Investments

From time to time, the Group looks at opportunities to invest in private equity ventures, often in start-up ventures. More details on the performance of these investments can be found in Note 4 of the financial statements.

Financial Statements

Consolidated Statement of Financial Position

As at 30 June 2023

| | Note | 2023 \$'000 | 2022 \$'000 (Restated - Note 15) |
|--------------------------------------|------|----------------------|---|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 2 | 12 | 12 |
| Trade and other receivables | 3 | 138 | 572 |
| Financial assets | 4 | - | 554 |
| Loans receivable | 5 | 1,200 | 240 |
| Total Current Assets | | <u>1,350</u> | <u>1,378</u> |
| Non-current Assets | | | |
| Financial assets | 4 | 60,166 | 32,755 |
| Property, plant and equipment | | 68 | 68 |
| Total Non-current Assets | | <u>60,234</u> | <u>32,823</u> |
| TOTAL ASSETS | | <u>61,584</u> | <u>34,201</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 6 | 771 | 1,515 |
| Borrowings | 7 | - | 3,397 |
| Current tax payable | 8 | 62 | 62 |
| Total Current Liabilities | | <u>833</u> | <u>4,974</u> |
| Non-current Liabilities | | | |
| Deferred tax liabilities | 12 | 2,455 | 4,263 |
| Total Non-current Liabilities | | <u>2,455</u> | <u>4,263</u> |
| TOTAL LIABILITIES | | <u>3,288</u> | <u>9,237</u> |
| NET ASSETS | | <u>58,296</u> | <u>24,964</u> |
| EQUITY | | | |
| Share capital | | 35,718 | 5,543 |
| Retained earnings | | 22,578 | 19,421 |
| TOTAL EQUITY | | <u>58,296</u> | <u>24,964</u> |
| Number of shares on issue | | 311,657,895 | 133,472,726 |
| NTA per share | | \$0.187 | \$0.187 |

The accompanying notes form part of these consolidated financial statements.

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2023

| | Note | 2023 \$'000 | 2022 \$'000 (Restated – Note 15) |
|---|------|-----------------|---|
| REVENUE | | | |
| Investment income | 9 | 614 | 294 |
| Gain on acquisition of subsidiary | 1 | 9,917 | - |
| Total Revenue | | 10,531 | 294 |
| EXPENSES | | | |
| Depreciation | | (40) | - |
| Finance costs | | (115) | (65) |
| (Loss) / gain on disposal of assets | 10 | (182) | 561 |
| Business operating expenses | 11 | (571) | (495) |
| Unrealised (loss) / gain on revaluation of financial assets | 10 | (9,738) | 834 |
| Total (Expenses) / Gains | | (10,646) | 835 |
| (Loss) / profit before Tax | | (115) | 1,129 |
| Income tax benefit | 12 | 3,272 | 108 |
| Profit for the Year | | 3,157 | 1,237 |
| Other comprehensive income for the year | | - | - |
| Total Comprehensive Income for the Year | | 3,157 | 1,237 |

The accompanying notes form part of these consolidated financial statements.

Financial Statements

Consolidated Statement of Cash Flows For the Year Ended 30 June 2023

| | Note | 2023 \$'000 | 2022 \$'000 |
|--|------|----------------|----------------|
| Cash Flows from Operating Activities | | | |
| Dividends and distributions received | | 564 | 210 |
| Interest received | | 60 | 6 |
| Interest paid | | (115) | (65) |
| Payments to suppliers | | (668) | (968) |
| Net Cash Flows used in Operating Activities | | (159) | (817) |
| Cash Flows from Investing Activities | | | |
| Proceeds from disposal of financial assets | | 1,917 | 592 |
| Returns of capital received | | 1,442 | 925 |
| Cash acquired on acquisition of subsidiaries | 1 | 7 | - |
| Purchases of property, plant & equipment | | (40) | - |
| Payments for purchase of financial assets | | (434) | (1,195) |
| Net Cash Flows from Investing Activities | | 2,892 | 322 |
| Cash Flows from Financing Activities | | | |
| Net (advances to) / proceeds from related party loans and borrowings | | (2,733) | 467 |
| Net Cash Flows (used in) / from Financing Activities | | (2,733) | 467 |
| Net Decrease in Cash and Cash Equivalents | | | |
| Cash and cash equivalents at the beginning of the year | | 12 | 40 |
| Cash and Cash Equivalents at End of the Year | | 12 | 12 |

Reconciliation of Operating Cash Flows

| | 2023 \$'000 | 2022 \$'000 (Restated - Note 15) |
|---|----------------|---|
| Profit for the year | 3,157 | 1,237 |
| Non-cash flows included in (loss) / profit: | | |
| Net unrealised loss / (gain) on revaluation of financial assets | 9,738 | (834) |
| Net loss / (gain) on disposal of investments | 182 | (561) |
| Net gain on acquisition of subsidiary | (9,917) | - |
| Depreciation | 40 | - |
| Changes in assets and liabilities: | | |
| Decrease in deferred tax liability | (3,182) | (107) |
| Increase in trade and other receivables | (46) | (65) |
| (Decrease) / increase in trade and other payables | (104) | 103 |
| Decrease in tax payable | (27) | (590) |
| Net cash flows used in operating activities | (159) | (817) |

The accompanying notes form part of these consolidated financial statements.

Financial Statements

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2023

| | Note | Ordinary Shares \$'000 | Retained Earnings \$'000 (Restated - Note 15) | Treasury Shares Reserve \$'000 | Total \$'000 |
|-----------------------------------|------|------------------------------|---|---|-----------------|
| Balance at 1 July 2022 | | 5,543 | 19,421 | - | 24,964 |
| Profit for the year | | - | 3,157 | - | 3,157 |
| Issue of new shares | 1 | 30,258 | - | - | 30,258 |
| Cancellation of issued shares | | (83) | - | - | (83) |
| Balance at 30 June 2023 | | 35,718 | 22,578 | - | 58,296 |
| Balance at 1 July 2021 | | 11,658 | 18,184 | (6,115) | 23,727 |
| Profit for the year (Restated) | 15 | - | 1,237 | - | 1,237 |
| Cancellation of issued shares | | (6,115) | - | 6,115 | - |
| Balance at 30 June 2022 | | 5,543 | 19,421 | - | 24,964 |

Share Capital

(a) Summary table

| | 2023 \$'000 | 2022 \$'000 |
|---|----------------|----------------|
| 311,657,895 (2022: 133,472,726) Ordinary shares | 35,718 | 5,543 |
| Total | 35,718 | 5,543 |

(b) Movement in shares on issue

| | Note | 2023 | 2022 |
|-------------------------------|------|--------------------|--------------------|
| At the beginning of the year | | 133,472,726 | 163,178,879 |
| Cancellation of issued shares | | (487,107) | (29,706,153) |
| Issue new shares | 1 | 178,672,276 | - |
| At the end of the year | | 311,657,895 | 133,472,726 |

The accompanying notes form part of these consolidated financial statements.

Notes to the Financial Statements

1. Business Combinations

On 14 November 2022, the Group acquired Harold Investors Pty Ltd, Tidy Harold Pty Ltd and SAO Investments Pty Ltd (**Acquired Entities**) thereby obtaining control of each of these entities. The Acquired Entities are separate investment vehicles with interests in three commercial properties, as well as significant holdings in BlackWall Limited (ASX:BWF) and WOTSO Property Limited (ASX:WOT), and as such, each of the Acquired Entities qualify as a business as defined in *AASB 3 Business Combinations*.

The amounts recognized in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

As consideration for the acquisition of the Acquired Entities, the Group issued 119,886,501 shares in the Group to previous shareholders of SAO Investments and 58,785,775 shares in the Group to shareholders of Harold Investors. The fair value of the shares issued as part of the consideration paid were determined by reference to the net tangible assets unit price (**NTA**) of the Group at the date of acquisition.

A gain on acquisition of \$9.9 million has been recognised in profit or loss being the excess of net assets acquired over consideration issued of \$1.7 million and a reset of SAO's deferred tax liability of \$8.2 million when it joins the Pelorus tax group.

| | Harold Investor's Pty Ltd \$'000 | Tidy Harold Pty Ltd \$'000 | SAO Investments Pty Ltd \$'000 | Eliminations on Acquisition \$'000 | Total Acquisition \$'000 |
|---|---|----------------------------------|---|---|--------------------------------|
| Cash and cash equivalents | - | 1 | 6 | - | 7 |
| Financial assets | - | 83 | 45,956 | - | 46,039 |
| Investment in Tidy Harold | 14,743 | - | - | (14,743) | - |
| Investment in SAO Investments | - | 14,736 | - | (14,736) | - |
| Loans receivable | 1,281 | - | 3,010 | - | 4,291 |
| Accounts payable | - | - | (27) | - | (27) |
| Borrowings | (163) | (77) | (3,331) | - | (3,571) |
| Deferred tax liability | - | - | (9,529) | - | (9,529) |
| Total identifiable assets acquired and liabilities assumed | 15,861 | 14,743 | 36,085 | (29,479) | 37,210 |
| Excess of net assets acquired | (711) | - | (1,038) | - | (1,749) |
| Non-controlling interest | (5,203) | (14,743) | (14,736) | 29,479 | (5,203) |
| Total consideration | 9,947 | - | 20,311 | - | 30,258 |
| Satisfied by: | | | | | |
| Issue of new shares | 9,947 | - | 20,311 | - | 30,258 |
| Total consideration issued | 9,947 | - | 20,311 | - | 30,258 |
| Net cash flow arising on acquisitions | | | | | |
| Cash acquired on acquisitions | - | 1 | 6 | - | 7 |
| | - | 1 | 6 | - | 7 |

Notes to the Financial Statements

2. Cash and Cash Equivalents

| | 2023 \$'000 | 2022 \$'000 |
|--------------|----------------|----------------|
| Cash at bank | 12 | 12 |
| Total | 12 | 12 |

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

3. Trade and Other Receivables

| | 2023 \$'000 | 2022 \$'000 |
|---------------------------------|----------------|----------------|
| Trade receivables: | | |
| - Related parties | 64 | 160 |
| - Other parties | 74 | 92 |
| - Teletrack investors agreement | - | 320 |
| Total | 138 | 572 |

Further information relating to trade receivables from related parties is set out in Note 19. No receivables were impaired as at 30 June 2023 (2022: \$nil).

During 2022, Pelorus entered into arrangements with various other investors, which grant the investors the option to each acquire a defined quantity of the Teletrack shares from Pelorus at cost. In exchange for this option, the investors will advance funds as collateral, which will be set-off against the option price on the exercising of the options. The option agreements expire on 1 August 2025.

At 30 June 2023, Pelorus has received \$750,000 (2022: \$270,000) in collateral from the option agreement investors, and \$nil (2022: \$480,000) remains receivable. \$Nil (2022: \$160,000) of this balance is included in related parties above.

4. Financial Assets

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

| | Note | 2023 \$'000 | 2022 \$'000 |
|--|-------|----------------|----------------|
| Other listed investments | | - | 554 |
| Total current financial assets | | - | 554 |
| Listed – WOTSO Property | (i) | 36,154 | 22,204 |
| Unlisted – Pymont Bridge Property | (ii) | 6,039 | - |
| Unlisted – Alerik Unit Trust | (iii) | 6,200 | - |
| Unlisted – Mosman Branch Unit Trust * | (iii) | 3,062 | - |
| Listed – BlackWall Limited | (iv) | 2,255 | 1,316 |
| Unlisted – Pymont Bridge Mortgage Fund | (ii) | 2,356 | - |
| Unlisted – Pymont Bridge Convertible Notes | (ii) | 1,694 | - |
| Unlisted – Waratah Hotel Group | (v) | - | 394 |
| Unlisted Startup – Teletrack | (vi) | 1,000 | 1,000 |
| Unlisted Startup – Linqto | (vii) | 1,128 | 1,000 |

Notes to the Financial Statements

| | | | |
|---|--------|---------------|---------------|
| Other unlisted investments | | 278 | 140 |
| Unlisted – Harold Investors Pty Ltd (formally Kirela-C Unit Trust) | (viii) | - | 6,701 |
| Total non-current financial assets | | 60,166 | 32,755 |
| Total | | 60,166 | 33,309 |

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

- (i) WOTSO Property (ASX:WOT) is a listed stapled security that owns and leases over 100,000 sqm of property. The closing ASX price of \$1.14 per security is at a 25% discount to NTA which is at \$1.51 per security. With the acquisition of SAO Investments, the Group now holds over 19% of WOTSO Property. During the year the Group received distributions from WOT of \$1.4 million (2022: \$925,000). These distributions are treated as returns of capital due to the tax position of WOT and are not included in income.
- (ii) Through the acquisition of SAO Investments, the Group now holds various interests in the property located at 55 Pyrmont Bridge Road, Pyrmont, NSW. In addition to a direct investment in the property owner, Pyrmont Bridge Property Pty Ltd, the Group holds interests in Pyrmont Bridge Mortgage Fund which provides a 6% p.a. distribution in return for a mortgage secured against the property, as well as interests in Pyrmont Bridge Convertible Notes, which provides a variable rate of return of 3% above the cash rate for convertible debt issued to the property owner. The Pyrmont property was independently valued at \$134.3 million in June 2023.
- (iii) The acquisition of SAO Investments provides investments in Alerik Pty Ltd and Mosman Pty Ltd, investment property owning vehicles which provide exposure to the properties located at 11-13 George Street North Strathfield, NSW and 743 Military Road, Mosman, NSW. These properties were independently valued in June 2023 at \$46.5 million and \$9.4 million respectively.
- (iv) BlackWall Limited is a listed property and fund management company (ASX:BWF) that manages over 124,000 sqm of space, including the WOT group. It generates annuity income through management fees, as well as transactional and performance fees.
- (v) As part of the acquisition of SAO Investments, the Group acquired an additional holding of Waratah Hotel Group. Subsequently, all units in Waratah Hotel Group were redeemed for proceeds of \$1.4 million in May 2023.
- (vi) Teletrack is a telematic solutions provider for the freight and heavy machinery industries. The investment is held along with separate option arrangements with various other investors, which grant the investors an option to acquire up to \$750,000 of Pelorus' Teletrack investment at cost. The option agreements expire on 1 August 2025. Pelorus has received \$750,000 as collateral from the other investors, and its net investment is \$250,000.
- (vii) Linqto is a US tech company that has built and launched a trading platform for private securities. It is held at an independent value provided for tax purposes in the US of US\$3.53 per share.
- (viii) 100% of Harold Investors was acquired as detailed in Note 1.

Notes to the Financial Statements

5. Loan Receivable

| | Security | 2023 \$'000 | 2022 \$'000 |
|-----------------------------|----------------|----------------|----------------|
| Loans – BlackWall employees | WOT Securities | 617 | - |
| Loans – BlackWall employees | BWF Shares | 581 | - |
| Loans – Other | N/A | 2 | 7 |
| Loans – Kirela C | N/A | - | 180 |
| Loans – Tidy Harold | N/A | - | 53 |
| Total | | 1,200 | 240 |

6. Trade and Other Payables

| | 2023 \$'000 | 2022 \$'000 |
|-----------------------------------|----------------|----------------|
| Trade payables: | | |
| - Teletrack | - | 640 |
| - Teletrack investors arrangement | 750 | 750 |
| - Related parties | - | 83 |
| - Other parties | 21 | 42 |
| Total | 771 | 1,515 |

Further information relating to payables to related parties is set out in Note 19.

During 2022, Pelorus entered into arrangements with various other investors, which grant the investors the option to each acquire up to \$750,000 of the Teletrack investment from Pelorus at cost. The option agreements expire on 1 August 2025.

7. Borrowings

| | 2023 \$'000 | 2022 \$'000 |
|------------------------------|----------------|----------------|
| Borrowings – SAO Investments | - | 3,397 |
| Total | - | 3,397 |

The borrowings from SAO Investments, a related party of Pelorus in 2022, was subject to interest at a margin of 2.0% over the RBA cash rate. The loan was eliminated on consolidation following Pelorus' acquisition of SAO Investments during the year.

8. Tax payable

| | 2023 \$'000 | 2022 \$'000 |
|---------------------|----------------|----------------|
| Current tax payable | 62 | 62 |
| Total | 62 | 62 |

Notes to the Financial Statements

9. Revenue

| | 2023 \$'000 | 2022 \$'000 |
|-------------------------------|----------------|----------------|
| Investment income: | | |
| - Dividends and distributions | 549 | 288 |
| - Finance income | 61 | 6 |
| - Other | 4 | - |
| Total | 614 | 294 |

Note that WOT distributions of \$1.4 million (2022: \$925,000) are treated as returns of capital due to the tax position of WOT and are not included in income.

10. Gains and Losses

During the year the Group disposed of the following investments:

| Investment | Realised Sales Proceeds \$'000 | Cost Base \$'000 | Actual Realised Gain/ (Loss) \$'000 | Unrealised Gains / (Loss) Previously Recognised \$'000 | Statutory Realised Gains / (Loss) \$'000 |
|--------------------------------|--------------------------------------|---------------------|--|---|---|
| Year Ended 30 June 2023 | | | | | |
| Lis-Energy | 409 | 145 | 264 | 338 | (74) |
| Waratah Hotel Group | 1,370 | 1,057 | 313 | 427 | (114) |
| Other Investments | 139 | 372 | (233) | (239) | 6 |
| | 1,918 | 1,574 | 344 | 526 | (182) |
| Year Ended 30 June 2022 | | | | | |
| Lis-Energy | 559 | 17 | 542 | - | 542 |
| GyMEA Bay Unit Trust | 19 | - | 19 | - | 19 |
| | 578 | 17 | 561 | - | 561 |

Unrealised gains / (losses) during the year comprise:

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Unrealised gain / (loss) | | |
| - Alerik Unit Trust | 366 | - |
| - Linqto | 128 | 884 |
| - Other investments | (18) | (171) |
| - BlackWall Limited | (530) | 224 |
| - Mosman Branch Unit Trust | (751) | - |
| - Harold Investors Pty Ltd (formally Kirela-C Unit Trust) | (1,499) | - |
| - Pymont Bridge Property | (2,039) | - |
| - WOTSO Property | (5,395) | (103) |
| Total | (9,738) | 834 |

Notes to the Financial Statements

11. Expenses

| | 2023 \$'000 | 2022 \$'000 |
|-----------------------------|----------------|----------------|
| Director & consultants fees | 308 | 290 |
| Administration expenses | 253 | 190 |
| Other | 10 | 15 |
| Total | 571 | 495 |

12. Tax

(a) Income tax (recovery) / expense

| | 2023 \$'000 | 2022 \$'000 (Restated - Note 15) |
|--|----------------|---|
| Current tax (recovery) | (90) | - |
| Deferred tax (recovery) through profit or loss | (3,182) | (108) |
| Total income tax (recovery) | (3,272) | (108) |

Reconciliation of prima facie tax payable to income tax

| | 2023 \$'000 | 2022 \$'000 (Restated - Note 15) |
|--|----------------|---|
| (Loss) / gain from ordinary activities before income tax | (115) | 1,129 |
| Expected tax benefit at 30% (2022: 30%) | | |
| Adjusted for tax effect of: | (35) | 339 |
| Deferred tax asset not recognised on investments | 510 | - |
| Deferred tax liability derecognised on Harold Investor Pty Ltd | (959) | - |
| Accounting unrealised gain on revaluation of financial assets | - | (250) |
| Accounting gain on sale | - | (168) |
| Non-taxable gain on acquisition | (2,925) | - |
| Lis-Energy Revaluation Adjustment | 101 | - |
| Movement in deferred balance related to losses | - | (70) |
| Sundry adjustments | 36 | (45) |
| Prior period over provided | - | (5) |
| Movement in deferred tax liability | - | 91 |
| Total income tax (recovery) / expense | (3,272) | (108) |

Notes to the Financial Statements

(b) Deferred tax liabilities

| | 2023 | 2022 |
|---------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Financial assets | 2,606 | 4,461 |
| Tax losses | (151) | (198) |
| Total deferred tax liabilities | 2,455 | 4,263 |

Movements

| | 2023 | 2022 |
|---------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Balance at beginning of year | 4,263 | 4,370 |
| Acquired through acquisition of SAO | 9,529 | - |
| Charged to gain on acquisition of SAO | (8,155) | - |
| Charged / (credit) to profit or loss | (3,182) | (107) |
| Balance at end of year | 2,455 | 4,263 |

As part of the business combination with SAO Investments as described in Note 1, the Group assumed the deferred tax liability on unrealised revaluation gains associated primarily with SAO's non-held-for-trading investment portfolio. This DTL was reduced upon a reset of the cost base of SAO's underlying financial assets after SAO joined the Pelorus consolidated tax group.

13. Auditor's remuneration

| | 2023 | 2022 |
|--|---------------|---------------|
| | \$ | \$ |
| Audit and other audit related services | 60,860 | 45,232 |
| Total | 60,860 | 45,232 |

14. Commitments and contingencies

There are no other commitments and contingencies as at 30 June 2023 (2022: Nil).

15. Prior period adjustment

During the year, the Group adopted the following material accounting policies with retrospective application:
AASB 9 Financial Instruments
AASB 101 Presentation of Financial Statements
AASB 112 Income Taxes

In prior periods, certain revaluation gains and losses on financial assets, and the associated movement on deferred tax liabilities had been recorded through Other Comprehensive Income. With the retrospective application of the above material accounting policies, these revaluations gain and losses, and movements in deferred tax liabilities have been reclassified within Profit or Loss.

Accordingly, the comparative information for the year ended 30 June 2022 have been restated to reflect the effects of this change in policy.

Notes to the Financial Statements

| | 2022 As previously stated \$'000 | Prior period adjustment \$'000 | 2022 Restated \$'000 |
|--|---|--------------------------------------|----------------------------|
| Unrealised gain on revaluation of financial assets | - | 834 | 834 |
| Income tax expense | 199 | (91) | (108) |
| Profit for the year | 494 | 743 | 1,237 |
| Unrealised gain on revaluation of financial assets | 834 | (834) | - |
| Deferred tax | (91) | 91 | - |
| Other comprehensive income | 743 | (743) | - |
| Retained earnings | 8,631 | 10,790 | 19,421 |
| Asset revaluation reserve | 10,790 | (10,790) | - |

16. Subsequent Events

On 24 August BlackWall Limited announced an intention to make a take over bid of Pelorus. BlackWall is offering 1 BWF share for every 3 Pelorus shares and the acquisition is subject to meetings held by BWF and WOT shareholders.

To the best of the Directors' knowledge, since the end of the financial year there have been no other matters or circumstances that have materially affected the Group's operations or may materially affect its operations, state of affairs or the results of operations in future financial periods.

17. Controlled entities

| Name | Country of incorporation | Percentage owned | |
|---------------------------------------|-----------------------------|------------------|--------|
| | | 2023 % | 2022 % |
| Parent entity: | | | |
| Pelorus Private Equity Ltd | Australia | n/a | n/a |
| Subsidiaries of parent entity: | | | |
| Bin24 Business Advisors Pty Ltd | Australia | 100 | 100 |
| Harold Investors Pty Ltd | Australia | 100 | - |
| Narraweena Pty Ltd | Australia | 100 | 100 |
| Pelorus Pipes 5 Trust | Australia | 100 | 100 |
| RASP Investments Pty Ltd | Australia | 100 | 100 |
| SAO Investments Pty Ltd | Australia | 100 | - |
| Tidy Harold Pty Ltd | Australia | 100 | - |
| WOTSO S.E.A. Pty Ltd | Australia | 100 | 100 |

18. 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:

Notes to the Financial Statements

| | 2023 \$'000 | 2022 \$'000 (Restated - Note 15) |
|--|----------------|---|
| Results: | | |
| (Loss) / profit after tax | (1,469) | 978 |
| Other comprehensive income | - | - |
| Total comprehensive (loss) / income after tax | (1,469) | 978 |
| Financial Position: | | |
| Current assets | 9 | 1,356 |
| Non-current assets | 60,610 | 34,208 |
| Total assets | 60,619 | 35,564 |
| Current liabilities | (3,513) | (5,348) |
| Non-current liabilities | (2,248) | (4,064) |
| Total liabilities | (5,761) | (9,412) |
| Net assets | 54,858 | 26,152 |
| Share capital | 37,375 | 7,200 |
| Retained earnings | 17,483 | 18,952 |
| Total equity | 54,858 | 26,152 |

The parent entity had no contingencies or capital commitments at 30 June 2023 (2022: Nil).

19. Related party transactions

(a) Related entities

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

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

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.

| | 2023 \$ | 2022 \$ |
|--|------------|------------|
| Revenue: | | |
| - Dividend and returns of capital received | 1,767,920 | 1,116,890 |
| - Other income received | - | 34,125 |
| - Interest received | 56,228 | 4,076 |
| Expenses: | | |
| - Interest paid | 114,872 | 64,057 |
| - Management fees paid | 104,536 | 134,246 |
| - Consulting fees paid | 290,000 | 290,000 |
| Outstanding balances: | | |
| - Trade receivables – current | 64,176 | 404 |
| - Receivable on Teletrack options | - | 160,000 |

Notes to the Financial Statements

| | | |
|-----------------------------------|-----------|-------------|
| - Loans receivable – current | 1,155,398 | 239,809 |
| - Trade payables – current | 40,831 | (75,612) |
| - Teletrack investors arrangement | 250,000 | 250,000 |
| - Borrowings payable – current | - | (3,397,000) |

Through the business combination with SAO Investments, the Group acquired certain loan receivables with Directors of the Group that are made on market terms, secured by holdings in BWF shares and WOT securities and charge interest at a rate of 3% above the cash rate.

(b) Interests in related parties

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

| Entity | Holdings | | Returns of Capital / Dividend Received | |
|----------------------------------|------------|------------|--|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | No. | No. | \$ | \$ |
| WOTSO Property | 31,714,000 | 15,974,274 | 1,430,670 | 925,490 |
| BlackWall Limited | 4,175,000 | 1,950,000 | 151,180 | 101,400 |
| Pymont Bridge Road Mortgage Fund | 2,356,364 | - | 106,040 | - |
| Pymont Bridge Convertible Notes | 1,693,636 | - | 80,030 | - |
| Indigoblack | 100 | 100 | - | 90,000 |
| Kirela-C Unit Trust | - | 199,495 | - | - |
| | | | 1,767,920 | 1,116,890 |

(c) Key Management Personnel (KMP)

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

| | Balance at 30 | Net change | Balance at 30 |
|--------------------|---------------|----------------|----------------|
| | June 2022 | | June 2023 |
| | No. '000 | | No. '000 |
| Joseph (Seph) Glew | 39,560 | 87,083 | 126,643 |
| Paul Tresidder | 34,304 | 74,888 | 109,192 |
| Richard Hill | 17,169 | 19,101 | 36,270 |
| Tim Brown | 718 | 42 | 760 |
| Jessie Glew | - | - | - |
| Total | 91,751 | 181,114 | 272,865 |

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, loans, the Teletrack option arrangements and borrowings. From the parent entity's perspective, major assets and liabilities that are exposed to financial risk were already included in the Group's balances therefore no separate disclosure is presented.

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

The Board of Directors has overall responsibility for the establishment and overseeing of the risk management framework. They monitor the Group's risk exposure by regularly reviewing finance and property markets.

Notes to the Financial Statements

The Group holds the following major financial instruments:

| | 2023 \$'000 | 2022 \$'000 |
|------------------------------|----------------|----------------|
| Financial Assets | | |
| Financial assets | 60,166 | 33,309 |
| Loans | 1,200 | 240 |
| Financial liabilities | | |
| Borrowings | - | 3,397 |

(b) Market risk

(i) Interest rate risk

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 2023 | | June 2022 | |
|--|-----------------------|-------------------|-----------------------|-------------------|
| | Interest rate % | Balance \$'000 | Interest rate % | Balance \$'000 |
| Loan Receivables – BlackWall employees | 7.10 | 1,198 | - | - |
| Borrowings – SAO Investments | - | - | 2.85 | (3,397) |

Sensitivity analysis:

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

| | Net profit Higher / (Lower) | |
|-----------------------------------|--------------------------------|----------------|
| | 2023 \$'000 | 2022 \$'000 |
| Movement in interest rates | | |
| + 1.0% | 12 | (34) |
| - 1.0% | (12) | 34 |

(ii) Price risk

The major exposure is the Group's investments in financial assets. In relation to the investment in WOT securities, a 10% decrease in the ASX trading price (from the price at 30 June 2023, i.e. \$1.14 per security) would result in an unrealised loss of \$3.6 million (2022: \$2.2 million) to profit.

(c) Credit risk

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

The Group has credit risk exposures to related parties loan receivables and investments in related and unrelated property structures under financial instruments and contractual arrangements entered into by the Group. The Group limits its exposure to credit risk by obtaining equitable mortgages over real property for related and unrelated party loan receivables and investments in related and unrelated property structures.

Notes to the Financial Statements

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

| | Maturing within 1 year \$'000 | Maturing 2 – 5 years \$'000 | Maturing over 5 years \$'000 | Total \$'000 |
|--------------------------|-------------------------------------|-----------------------------------|------------------------------------|-----------------|
| At 30 June 2023 | | | | |
| Trade and other payables | 21 | 750 | - | 771 |
| | 21 | 750 | - | 771 |
| At 30 June 2022 | | | | |
| Trade and other payables | 765 | 750 | - | 1,515 |
| Borrowings | 3,397 | - | - | 3,397 |
| | 4,162 | 750 | - | 4,912 |

(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 2023 | | | | |
| Financial assets | 38,409 | - | 21,757 | 60,166 |
| At 30 June 2022 | | | | |
| Financial assets | 24,074 | - | 9,235 | 33,309 |

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

The fair value of the unlisted securities is determined by reference to the published net tangible assets unit prices of each of the entities.

Notes to the Financial Statements

(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 2023 | |
| Balance at the beginning of year | 9,235 |
| Purchases | 156 |
| Sales | (1,514) |
| Acquired through combination of SAO Investments | 23,204 |
| Fair value movement | (2,623) |
| Elimination through combination of Harold Investors | (6,701) |
| Balance at the end of year | <u><u>21,757</u></u> |
| At 30 June 2022 | |
| Balance at the beginning of year | 7,964 |
| Purchases | 1,100 |
| Sales | (34) |
| Fair value movements | 1,223 |
| Conversion of Primary Market from Level 3 to Complii (Level 1) | (41) |
| Movement of Li-S Energy Limited from Level 3 to Level 1 | (977) |
| Balance at the end of year | <u><u>9,235</u></u> |

21. Dividend

There were no dividends paid or declared for the year ended 30 June 2023 (2022: \$nil).

| | 2023 | 2022 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Franking credits available for the subsequent reporting periods based on a tax rate of 30% (2022: 30%) | <u>2,715</u> | <u>1,205</u> |

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

22. Group details

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

23. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical

Notes to the Financial Statements

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 are recognised directly in profit or loss. The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities, or other information provided such as valuation guidance from the investee or independent valuations provided. The fair value of the listed securities is based on the closing price from the ASX as at the reporting date.

24. Statement of significant accounting policies

Pelorus Private Equity Ltd is a public company, incorporated and domiciled in Australia. The financial statements for the Group were authorised for issue in accordance with 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.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

Rounding of Amounts

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

Going Concern

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

Presentation currency

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

Notes to the Financial Statements

Principles of Consolidation

Controlled entities

The consolidated financial statements comprise the financial statements of Pelorus Private Equity Limited and its subsidiaries. A list of controlled entities is contained in the Controlled Entities note to the financial statements. All controlled entities have a June financial year end and use consistent accounting policies. Investments in subsidiaries held by the Group are accounted for at cost less any impairment charges.

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

Intercompany balances

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

Non-controlling interests

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

Impairment of assets

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

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

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

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

Borrowing Costs

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

Notes to the Financial Statements

Non-derivative financial instruments

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

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

Recognition

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flow from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled. The Group offsets financial assets and financial liabilities on recognition when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Loans and receivables

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

Financial Assets

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Unrealised gains and losses arising from changes in the fair value of these assets are included in profit or loss in the period in which they arise.

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. For investments in other investees, fair value is determined by reference to other information provided such as valuation guidance from the investee or independent valuations.

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

Notes to the Financial Statements

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 expected credit losses 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.

Notes to the Financial Statements

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 profit or loss 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



Notes to the Financial Statements

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.



Directors' Report - Continued

Information on Officeholders

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

Joseph (Seph) Glew, Non-Executive Director and Chairman

Seph has worked in the commercial property industry in New Zealand, the USA and Australia. Seph has driven large scale property development and financial structuring for real estate for over 40 years. In addition, since the early 1990s Seph has run many "turnaround" processes in relation to distressed properties and property structures for both private and institutional property owners.

While working for the Housing Corporation of New Zealand and then AMP, Seph qualified as a registered valuer and holds a Bachelor of Commerce. In the 1980s he served as an Executive Director with New Zealand based property group Chase Corporation and as a Non-Executive Director with a number of other listed companies in New Zealand and Australia.

Timothy Brown, Joint Managing Director and Chief Financial Officer

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

Jessie Glew, Joint Managing Director and Chief Operating Officer

Jessie is Joint Managing Director and Chief Operating Officer (COO) for the BlackWall group and its funds. Jessie has been with BlackWall since early 2011 and has a strong background in and passion for the property industry. For the past 13 years, Jessie has specialised in working with distressed properties and spaces, and the operations of the WOTSO business. Jessie holds a Bachelor's degree in International Communication from Macquarie University and NSW Real Estate License.

Jessie joined the Board of The Kids Cancer Project in 2021 and over the last 2 years has provided insights and operational knowledge to help support The Kids Cancer Project.

Paul Tresidder, Non-Executive Director

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



Richard Hill, Non-Executive Director

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

Agata Ryan, Company Secretary (from 10 March 2023)

Agata joined BlackWall in February 2023 and oversees all aspects of BlackWall's corporate and fund transactions, the corporate governance and regulatory functions and investor relations. Before joining BlackWall, Agata worked as a lawyer at a boutique property law firm and prior to that was legal counsel in the commercial property legal team at Stockland. Agata holds a Bachelor of Arts, Master of Commerce and Juris Doctor degree from UNSW. She is admitted as a solicitor of the Supreme Court of New South Wales and the High Court of Australia.

Alex Whitelum, Company Secretary (to 10 March 2023)

Alex joined BlackWall in April 2020 and executed all aspects of BlackWall's corporate and fund transactions, was responsible for BlackWall’s corporate governance functions and oversaw 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. Alex resigned from the Group effective 10 March 2023.

Meeting Attendances

| Director | Board Meetings Held | Board Meeting Attendance |
|-----------------|----------------------------|---------------------------------|
| Seph Glew | 2 | 2 |
| Jessie Glew | 2 | 2 |
| Timothy Brown | 2 | 2 |
| Paul Tresidder | 2 | 2 |
| Richard Hill | 2 | 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 year the Group has paid premiums to insure each of the Directors named in this report along with officers of that Group against all liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Group, other than conduct involving a wilful breach of duty.

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

Auditor and Non-audit Services

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

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

ESV Business Advice and Accounting continues in office in accordance with section 327 of the Corporations Act 2001.

Rounding of Amounts

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

Events Subsequent to Reporting Date and Likely Developments

To the best knowledge of the Directors, there have been no other matters or circumstances, other than those described in Note 16 that have arisen since the end of the year that have materially affected or may materially affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

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



Timothy Brown
Director
Sydney, 6 September 2023



Jessie Glew
Director
Sydney, 6 September 2023

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 2023 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, 6 September 2023




Jessie Glew
Director
Sydney, 6 September 2023

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 2023, 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 6th of September 2023.



ESV Business advice and accounting



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 2023, 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 and the directors' declaration of the Group.

In our opinion, 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 2023 and of its financial performance for the year then ended; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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 in accordance with Australian Accounting Standards and Corporations Act 2001 and for 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.

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

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 6th of September 2023.



ESV Business advice and accounting



Travas Burns
Partner



ABN

45 091 209 639

Telephone

+61 2 9033 8611

Address

50 Yeo Street, Neutral Bay NSW 2089

Mailing Address

PO Box 612, Neutral Bay NSW 2089

Website

www.pelorus.com.au