



## **Consolidated Annual Financial Report**

Year Ended 30 June 2021

**Pelorus Private Equity Limited**

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## Directors' Report

Pelorus is an unlisted public investment company. The company is a significant investor in the ASX listed WOTSO Property (ASX:WOT). Pelorus also periodically takes positions in start-up businesses. The company has 163,178,879 shares on issue and NTA of \$0.178 per share. No dividends were paid or declared in the year ended 30 June 2021 (30 June 2020: \$nil).

Pelorus acquired 71% of Naraweena Pty Limited on 30 June 2021, bringing its ownership to 100%. Naraweena is an investment company that currently holds 18% of Pelorus shares on issue. If approved by shareholders at the Annual General Meeting, Pelorus will cancel these shares during the 2022 financial year effectively increasing the ownership interest of each Pelorus shareholder.

The disposal of the Planloc business in February 2021 saw the last of the property assets move out of the Pelorus structure. The future strategy of Pelorus is to focus on being an opportunistic investment entity. The Company will continue to have a healthy mix of traditional investments (such as interests in WOT) and more speculative ventures (such as investments in start-up businesses).

### Investment Portfolio

#### *WOTSO Property*

At 30 June 2021, Pelorus held 9% of WOT securities.

The stapling of BlackWall Property Trust (BWR) to WOTSO Limited and Planloc Limited to form Australia's first listed flexible property vehicle, WOTSO Property, was successfully completed in February 2021. Following the acquisition of 3 new assets in the last 6 months, WOT owns over 87,000 sqm of property and operates nearly 37,000 sqm of flexible workspaces under the WOTSO brand. Its property portfolio grew by \$8.4 million in 2021, whilst net debt is at a modest 25%. WOT continue to look for acquisition opportunities focusing on suburban and regional assets that would suit the WOTSO flexi space offering.

The WOTSO WorkSpace business experienced healthy growth in its turnover as it recovered from COVID restrictions in 2020. Its annualised turnover reached \$21 million in June 2021, some 30% above its pre-COVID levels. WOTSO's suburban focus has benefitted from the shift to flexible work practices and its near to home solution is helping businesses of all sizes adapt to these new workforce trends. The most recent lockdowns in Australia are having an effect on turnover as WOTSO again provides support to its members via a 'penalty-free' suspension policy. However, this is somewhat mitigated by government assistance being granted through payroll support and rent relief packages. Once restrictions ease, we expect to see WOTSO's revenue numbers quickly bounce back as they did last year. Further information on WOT can be found in its Annual Report.

Planloc was demerged from Pelorus as part of the stapling transaction and has been shown as a discontinued operation within the current year financials. Planloc's assets comprise:

- a mixed-use retail property at 120 Mulgoa Rd, Penrith, NSW that was independently valued at \$21.5 million in November 2020; and
- a 49% interest in the WRV Unit Trust, which owns the 'entertainment precinct' property at 850 Woodville Rd, Villawood, NSW. This property was independently valued at \$22.0 million in November 2020.

#### *BlackWall Limited*

Pelorus holds a \$1.1 million investment in BlackWall Limited (BWF). During the year, an additional \$304,000 was invested into BWF shares and due to significant growth in its share price, Pelorus has realised an additional uplift in value of \$318,000.

## **Directors' Report**

BlackWall Limited is a listed property and fund management company (ASX:BWF) that manages 130,000 sqm of space, including the WOT group. It generates annuity income through management fees, as well as transactional and performance fees. It aims to continue to grow its properties under management, which will in turn increase its revenue.

### *Private Equity Investments*

Pelorus from time to time looks at opportunities to invest in private equity ventures. It did not make any new investments during the year.

As these investments are generally early-stage there is often little pricing available to provide an accurate valuation. As a result, in 2020, investments without a quoted price were written down to nil due to the uncertainty surrounding their pricing, particularly during COVID. In 2021, a similarly conservative approach has been taken and the valuation of most investments have stayed relatively flat, with two exceptions: Li-S Energy Limited (Li-S) and Primary Markets.

Li-S has developed lithium-sulphur batteries using boron nitride nano-tubes (BNNT) that increase energy density well beyond that of lithium-ion batteries, while extending battery cycle life. This technology appears to be very promising and as a result Li-S lodged a prospectus in July 2021 to raise up to \$34 million via an ASX-listing to fund further growth. The offer price is significantly higher than Pelorus's initial investment at a cost of \$0.065/share and as a result the value of its holding has increased by \$902,000 to \$977,000. On 28 September 2021, Li-S listed on the ASX and its share price closed at \$2.33 on its first day of trading. At this valuation, the Pelorus investment is worth \$2,680,000 and the Pelorus NTA would increase to \$0.191 per share.

Due to a lack of pricing information in 2020, the investment in Primary Market was written down to nil. However, during 2021, Primary Markets merged with Linqto and additional pricing information has become available. As a result, Pelorus's investment across these two entities has increased from nil in 2020 to \$118,000 in 2021.

Valuations of all investments will continue to be assessed and updated at each reporting period.

### *Kirela-C Unit Trust*

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

## **COVID and its impact**

COVID has impacted each of Pelorus' investments differently.

As part of the stapling process, all of WOT's properties were subject to updated independent valuations. This resulted in an overall increase in the value of the BWR portfolio of \$4.35 million and Planloc portfolio of \$0.2 million. These post-COVID valuations are still hamstrung by a lack of transactions for valuers to rely upon. There could be some fluctuations in valuations in the near term as a result of the current lockdowns in certain parts of Australia. However, the WOT portfolio is well positioned with few vacancies, and therefore the valuation volatility is considered an opportunity for acquisitions rather than a threat.



## **Directors' Report**

WOT had provided \$4.8 million in COVID rent relief up to 30 June 2021. Additional rent relief continues to be provided as a result of ongoing lockdowns across Australia. The impact of this will be partially offset by available government support, including JobSaver and land tax waivers.

It has been difficult to quantify the impact of COVID on some of the 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.

### **Dividends**

There were no dividends paid or declared for the period ended 30 June 2021 (2020: \$nil).

## Financial Statements

### Statement of Financial Position

As at 30 June 2021

	Note	2021 \$'000	2020 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	40	45
Trade and other receivables	3	27	26
Financial assets	4	2,624	1,166
Loans	5	185	8,788
<b>Total current assets</b>		<u>2,876</u>	<u>10,025</u>
<b>Planloc assets held for disposal (current asset)</b>		-	28,107
<b>Non-current assets</b>			
Financial assets	6	28,702	22,881
Property, plant and equipment		68	68
<b>Total non-current assets</b>		<u>28,770</u>	<u>22,949</u>
<b>TOTAL ASSETS</b>		<u><b>31,646</b></u>	<u><b>61,081</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	7	22	54
Borrowings	8	2,875	5,295
Current tax payable	9	652	62
<b>Total current liabilities</b>		<u>3,549</u>	<u>5,411</u>
<b>Planloc liabilities held for disposal (current liability)</b>		-	27,597
<b>Non-current liabilities</b>			
Deferred tax liabilities	16	4,370	2,359
<b>Total non-current liabilities</b>		<u>4,370</u>	<u>2,359</u>
<b>TOTAL LIABILITIES</b>		<u><b>7,919</b></u>	<u><b>35,367</b></u>
<b>NET ASSETS</b>		<u><b>23,727</b></u>	<u><b>25,714</b></u>
<b>EQUITY</b>			
Share capital	10	11,658	10,641
Retained earnings	11	8,137	1,584
Reserves - Pelorus	11	10,047	9,974
Reserves - Planloc		-	3,515
Reserves - Treasury Shares		(6,115)	-
<b>TOTAL EQUITY</b>		<u><b>23,727</b></u>	<u><b>25,714</b></u>
Number of shares on issue	10	133,492,726	154,161,465
NTA per share		\$0.178	\$0.162

The accompanying notes form part of these consolidated financial statements.

## Financial Statements

### Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
<b>REVENUE</b>			
Investment income	12(a)	367	167
Gain on acquisition	14	395	-
Other income		138	3
Gain on disposal of assets		-	3
<b>Total Revenue</b>		<b>900</b>	<b>173</b>
<b>EXPENSES</b>			
Business operating expenses	13	(625)	(521)
Finance costs		(37)	(34)
Other expenses		(22)	(9)
Loss on disposal of assets		(54)	-
Impairment		-	(303)
<b>Total Expenses</b>		<b>(738)</b>	<b>(867)</b>
<b>Gain/ (Loss) Before Tax</b>		<b>162</b>	<b>(694)</b>
Income tax expense	16	(1,607)	-
<b>(Loss) After Tax from continuing operations</b>		<b>(1,445)</b>	<b>(694)</b>
(Loss) from discontinued operations - Planloc	15	(1,731)	(328)
<b>(Loss) for the Year</b>		<b>(3,176)</b>	<b>(1,022)</b>
<b>Other Comprehensive Income/ (Loss)</b>			
<i>Items that may be reclassified to profit or loss</i>			
Unrealised gain on revaluation of financial assets		3,606	1,905
Deferred tax		(994)	68
Other Comprehensive Income for the Year from continuing operations	12(b)	2,612	1,973
Other Comprehensive Income for the Year from discontinuing operations	12(b)/15	3,675	1,793
<b>Total Comprehensive Income for the Year</b>		<b>3,111</b>	<b>3,766</b>

The accompanying notes form part of these consolidated financial statements.

## Financial Statements

### Consolidated Statement of Cash Flows For the Year Ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
<b>Cash Flows from Operating Activities (continuing)</b>			
Dividends received		71	82
Interest received		297	85
Payments to suppliers		(543)	(851)
Interest paid		(38)	(33)
<b>Net Cash Flows Used in Operating Activities (continuing)</b>		<b>(213)</b>	<b>(717)</b>
<b>Cash Flows from Investing Activities (continuing)</b>			
Returns of capital from BWR and BlackWall Penrith Fund No.3		791	787
Proceeds from sale of shares and units		494	3,178
Cash entering group from acquisition of Narraweena		4	-
Cash leaving group from disposal of Planloc		(104)	-
Payment to acquire Bin 24 net of cash received		-	(1,573)
Payments for purchase of financial assets		(4,795)	(5,965)
<b>Net Cash Flows Used in Investing Activities (continuing)</b>		<b>(3,610)</b>	<b>(3,573)</b>
<b>Cash Flows from Financing Activities (continuing)</b>			
Net proceeds from related party loans		3,714	(3,913)
Proceed from issue of shares		-	495
<b>Net Cash Flows Provided by/ (Used in) Financing Activities (continuing)</b>		<b>3,714</b>	<b>(3,418)</b>
<b>Net Decrease in Cash Held (continuing)</b>		<b>(109)</b>	<b>(7,708)</b>
<b>Net Decrease in Cash Held (discontinued)</b>		<b>(30)</b>	<b>7,851</b>
Cash and cash equivalents at the beginning of the year		179	36
<b>Cash and Cash Equivalents at End of the Year</b>		<b>40</b>	<b>179</b>
<b>Cash Flow Information - Discontinued</b>			
Net Cash Flows from / (used in) operating activities		(1,330)	(363)
Net Cash Flows from / (used in) investing activities		(7)	(636)
Net Cash Flows from / (used in) financing activities		1,307	8,850
<b>Net Decrease in Cash Held (discontinued)</b>	15	<b>(30)</b>	<b>7,851</b>

The accompanying notes form part of these consolidated financial statements.

**Consolidated Statement of Changes in Equity**

**For the Year Ended 30 June 2021**

	Note	Ordinary Shares \$'000	Retained Earnings \$'000	Reserves -Treasury Shares \$'000	Reserves \$'000	Total \$'000
<b>Balance at 1 July 2020</b>		<b>10,641</b>	<b>1,584</b>	-	<b>13,489</b>	<b>25,714</b>
Movement in between retained earnings and reserve	11	-	9,729	-	(9,729)	-
Loss for the year		-	(3,176)	-	-	(3,176)
Other comprehensive income		-	-	-	6,287	6,287
Narraweena investment in Pelorus	10(b)/14	-	-	(6,115)	-	(6,115)
Issue of new shares		1,017	-	-	-	1,017
<b>Balance at 30 June 2021</b>		<b>11,658</b>	<b>8,137</b>	<b>(6,115)</b>	<b>10,047</b>	<b>23,727</b>
<b>Balance at 1 July 2019</b>		<b>10,146</b>	<b>2,606</b>	-	<b>9,723</b>	<b>22,475</b>
Loss for the year		-	(1,022)	-	-	(1,022)
Other comprehensive income		-	-	-	3,766	3,766
Issue of new shares		495	-	-	-	495
<b>Balance at 30 June 2020</b>		<b>10,641</b>	<b>1,584</b>	-	<b>13,489</b>	<b>25,714</b>

The accompanying notes form part of these consolidated financial statements.

## Notes to the Financial Statements

### 1. COVID Impact

COVID has impacted each of Pelorus' investments differently.

As part of the stapling process, all of WOT's properties were subject to updated independent valuations. This resulted in an overall increase in the value of the BWR portfolio of \$4.35 million and Planloc portfolio of \$0.2 million. These post-COVID valuations are still hamstrung by a lack of transactions for valuers to rely upon. There could be some fluctuations in valuations in the near term as a result of the current lockdowns in certain parts of Australia. However, the WOT portfolio is well positioned with few vacancies, and therefore the valuation volatility is considered an opportunity for acquisitions rather than a threat.

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It has been difficult to quantify the impact of COVID on the balance of some of the 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

	2021 \$'000	2020 \$'000
Cash at bank	40	45
<b>Total</b>	<b>40</b>	<b>45</b>

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

### 3. Current Assets - Trade and Other Receivables

	2021 \$'000	2020 \$'000
Trade receivables:		
- Related parties	6	8
- Other parties	21	18
<b>Total</b>	<b>27</b>	<b>26</b>

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 2021 (2020: \$nil).

## Notes to the Financial Statements

### 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:

<b>Financial Assets</b>	<b>Note</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Listed - BlackWall Limited		1,092	470
Unlisted - Pelathon Pub Group		345	347
Unlisted – Narraweena Pty Ltd **		-	168
Unlisted - IndigoBlack *	(i)	58	72
Unlisted Startup – Primary Market	(ii)	41	-
Unlisted Startup - Linqto	(ii)	77	-
Unlisted Startup – Li-S Energy Limited	(iii)	977	75
Unlisted Startup - Lake Road Project		34	34
Unlisted Startup - Sportility		-	-
Unlisted Startup – Unifii	(iv)	-	-
<b>Total</b>		<b>2,624</b>	<b>1,166</b>

\* 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 those entities.

\*\* Narraweena Pty Ltd became a fully owned subsidiary of Pelorus on 30 June 2021.

- (i) IndigoBlack is a construction company located in Sydney.
- (ii) Linqto shares were obtained from a merger with Primary Market. Linqto is a company that operates a liquidity platform for private securities and investments in the United States. The investment in Primary Market was written down to nil in June 2020. Since then, an updated valuation has been obtained from Primary Market and Linqto and the investment in both companies has been revalued according to these valuations.
- (iii) Pelorus holds 1,150,000 shares in Li-S Energy Limited, which were purchased at a cost of \$0.065/share. Li-S Energy Limited lodged a prospectus in July 2021 to list on the ASX at an offer price of \$0.85/share and this pricing has been used as the basis of the valuation at 30 June 2021. However, on 28 September 2021, Li-S listed on the ASX (ASX: LIS) and its price went up to \$3.05/share, closing its first day of trading at a price of \$2.33 per share. At a price of \$2.33, the Pelorus investment in Li-S Energy would increase by \$1,703,000 to \$2,680,000.
- (iv) Investments in Unifii (formerly Tilt & Co) and Sportility continue to be valued at nil due to the negative impact and uncertainty driven by impacts of COVID-19.

## Notes to the Financial Statements

### 5. Current Asset - Loans

	2021 \$'000	2020 \$'000
Related party loans (unsecured):		
Loan - Other	183	7
Loan - Narraweena	-	4,332
Loan - Tidy Harold	2	2,008
	<u>185</u>	<u>6,347</u>
Rockahula and employee related loans (secured):	-	2,441
<b>Total</b>	<b><u>185</u></b>	<b><u>8,788</u></b>

The loan to Narraweena loan was eliminated on consolidation when the entity was acquired on 30 June 2021. The Rockahula and employee related loans were secured by WOT securities and BWF shares. These loans were acquired by Kirela-C Unit Trust in April 2021.

### 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	2021 \$'000	2020 \$'000
Listed - WOTSO Property	(i)	22,270	-
Listed - BlackWall Property Trust	(i)	-	15,620
Unlisted - Kirela-C Unit Trust	(ii)	6,432	4,860
Unlisted - WOTSO Limited	(i)	-	2,401
<b>Total</b>		<b><u>28,702</u></b>	<b><u>22,881</u></b>

#### (i) WOTSO Property (WOT)

A stapling transaction between BlackWall Property Trust (BWR), WOTSO Limited (WOTSO) and Planloc (sold by Pelorus), was implemented on 7 February 2021 following necessary shareholder and court approvals. The transaction created a new triple-stapled security called "WOTSO Property". The two separate investments of BWR and WOTSO previously held by Pelorus were replaced by a single holding in the new stapled security. The new stapled security was listed on the ASX under the code "WOT" and began trading on 18 February 2021.

Pelorus held 8% of BWR units and 8% of WOTSO shares before the stapling. At the stapling, this was converted to a holding of 8% in WOT property. Since then, additional securities have been purchased to increase its holding to 9% as at 30 June 2021.

#### (ii) Kirela-C Unit Trust

The Kirela-C Unit Trust is an investment trust that holds various positions in BlackWall controlled investments via a wholly owned subsidiary, Tidy Harold Pty Ltd. Its major investments include the listed WOT and BWF entities as well as holdings in 55 Pyrmont Bridge Rd and properties at The Bakehouse Quarter known as Buildings L and M. Pelorus has acquired additional 34,258 shares in Kirela-C in FY 2021 and has ownership of 33% of Kirela-C shares now.

## Notes to the Financial Statements

### 7. Current Liabilities - Trade and Other Payables

	2021 \$'000	2020 \$'000
Trade payables:		
- Related parties	5	29
- Other parties	17	25
<b>Total</b>	<b>22</b>	<b>54</b>

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

### 8. Current Liabilities - Borrowings

	2021 \$'000	2020 \$'000
Borrowings - Alerik	2,875	3,300
Borrowings - Planloc	-	1,995
<b>Total</b>	<b>2,875</b>	<b>5,295</b>

The loan from Alerik is 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.

### 9. Current Liabilities - Current Tax Payable

	2021 \$'000	2020 \$'000
Current tax payable	652	62
<b>Total</b>	<b>652</b>	<b>62</b>

The current tax payable has increased to \$652,000. This is largely driven by a gain on the disposal of Planloc, partially offset by available carried forward losses.

### 10. Share Capital

#### (a) Summary Table

	2021 \$'000	2020 \$'000
163,178,880 (2020: 158,161,465) Ordinary shares	11,658	10,641
<b>Total</b>	<b>11,658</b>	<b>10,641</b>

#### (b) Movement in shares on issue

	2021 No.	2020 No.
At the beginning of the year	158,161,465	54,866,465
Issue new shares	5,017,414	3,295,000
<b>At the end of the year</b>	<b>163,178,879</b>	<b>158,161,465</b>
Less treasury shares*	(29,686,153)	-
<b>Adjusted Number of shares on issue</b>	<b>133,492,726</b>	<b>158,161,465</b>

## Notes to the Financial Statements

\*Narraweena owns 29,686,153 shares in Pelorus value at \$6,115,000, which are expected to be cancelled during the 2022 financial year upon shareholders' approval. These have been deducted from equity in accordance with AASB 132.

### 11. Retained Earnings/ Reserve – Pelorus

On disposal of Planloc, reserves pertaining to the market value adjustments of its assets were deemed to be realised and therefore transferred from reserves to retained earnings. This resulted in a decrease of \$9,729,000 in reserves and a corresponding increase in retained earnings.

### 12. Revenue

	2021 \$'000	2020 \$'000
<b>(a) Revenue</b>		
Investment income:		
- Dividends	296	85
- Finance income	71	82
	<u>367</u>	<u>167</u>

Note that BWR distributions of \$791,000 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	3,882	3,070
Investment properties	140	699
Provision for Planloc performance fees adjustment	1,718	-
Deferred tax on unrealised gain	547	(3)
	<u>6,287</u>	<u>3,766</u>

### 13. Expenses

	2021 \$'000	2020 \$'000
Business operating expenses:		
Director & consultants fees	290	290
Administration expenses	335	231
	<u>625</u>	<u>521</u>

### 14. Acquisition of Subsidiary (\$'000)

On 30 June 2021 Pelorus acquired 71% of Narraweena, bringing its ownership to 100%. Consideration for the 71% was \$1.02 million on a scrip for scrip basis.

The net assets of Narraweena were fair valued at \$1.58 million at acquisition. Immediately prior to the acquisition, the previously held investment in Narraweena was revalued to its fair value, resulting in a gain on investment of \$243,000. The fair value of the remaining portion acquired was \$1.2 million, resulting in a gain on bargain purchase of \$152,000.

## Notes to the Financial Statements

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

	<b>Fair value</b>
	<b>\$'000</b>
Cash and cash equivalents	4
Receivables and other assets	-
Investment in Pelorus	6,115
Trade and other payables	-
Loans payable	(4,540)
Net assets	1,579
Less: investment previously held	(410)
Net Assets acquired	1,169
Add: gain on acquisition	(152)
Total purchase consideration	<u>1,017</u>

## 15. Discontinued operations

### Planloc Pty Limited - Discontinued

Planloc Pty Limited was disposed of to form part of the new WOT stapled structure, which was implemented on 7 February 2021.

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 and Other Comprehensive Income, 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*

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>		
Property rental income	1,018	1,478
<b>Total Revenue</b>	<u>1,018</u>	<u>1,478</u>
<b>Expenses</b>		
Property outgoings	(204)	(538)
Business operating expenses	(71)	(154)
Finance costs	(477)	(807)
Performance fees	(1,751)	-
Depreciation expense	(146)	(307)
Intercompany charges	(100)	
<b>Total Expenses</b>	<u>(2,749)</u>	<u>(1,806)</u>
<b>(Loss) from discontinued operations</b>	<u>(1,731)</u>	<u>(328)</u>

## Notes to the Financial Statements

### Other Comprehensive Income/ (Loss)

*Items that may be reclassified to profit or loss*

Unrealised gain on revaluation of financial assets	276	1,165
Unrealised gain on revaluation of investment properties	140	699
Provision adjustment for performance fees	1,718	-
Deferred tax	1,541	(71)
Other Comprehensive Income for the year from discontinuing operations	<b>3,675</b>	<b>1,793</b>

### Asset and Liabilities Information - Planloc

	7 Feb 2021 \$'000	2020 \$'000
<b>Assets</b>		
Cash and cash equivalents	104	134
Trade and other receivables	88	59
Financial assets	4,266	3,989
Loan receivable	-	1,995
Investment property	21,500	21,884
Deferred rent receivable	-	46
<b>TOTAL ASSETS</b>	<b>25,958</b>	<b>28,107</b>
<b>Liabilities</b>		
Trade and other payables	75	271
Loan from BWR	15,883	10,000
Loan from CBA	10,000	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
<b>TOTAL LIABILITIES</b>	<b>25,958</b>	<b>27,597</b>
<b>NET ASSETS</b>	<b>-</b>	<b>510</b>

### Cash Flow Information - Planloc and WOTSO Franchise

	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>		
WOTSO Franchise receipts	-	2,572
Receipts from property customers	992	1,964
WOTSO Franchise payments	-	(2,786)
Payments to suppliers	(528)	(873)
Performance fees paid	(1,318)	(433)
Interest paid	(477)	(807)
<b>Net Cash Flows Used in Operating Activities</b>	<b>(1,331)</b>	<b>(363)</b>
<b>Cash Flows from Investing Activities</b>		
Payments for capital expenditure	(7)	(636)
<b>Net Cash Flows Used in Investing Activities</b>	<b>(7)</b>	<b>(636)</b>

**Notes to the Financial Statements**

**Cash Flows from Financing Activities**

Loan from BWR	1,308	(1,150)
Loan from CBA	-	10,000
<b>Net Cash Flows From Financing Activities</b>	<b>1,308</b>	<b>8,850</b>
<b>Net cash (outflow)/ inflow</b>	<b>(30)</b>	<b>7,851</b>

WOTSO Franchise was disposed of in FY 2020 and forms part of the comparative cash flow for FY 2020.

**16. Income Tax Expense and Deferred Tax Liabilities**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Income tax expense / (benefit)</b>		
Current tax	590	-
Deferred tax expense through profit or loss	1,017	-
Deferred tax expense through OCI	-	3
<b>Total Income tax expense / (benefit)</b>	<b>1,607</b>	<b>3</b>

**Reconciliation of prima facie tax payable to income tax**

Loss from ordinary activities before income tax	(1,569)	(1,022)
Expected tax benefit at 30% (2020: 30%)	(471)	(306)
Adjusted for tax effect of:		
Amounts related to the exit of Planloc	2,058	-
Sundry adjustments	116	-
Prior period under/ (over)	(96)	-
Financial assets	-	309
<b>Total Income tax (benefit) / expense</b>	<b>1,607</b>	<b>3</b>

**(b) Deferred tax liabilities**

Financial assets	4,370	3,663
Investment properties	-	1,577
Provision for performance fee	-	(385)
Tax losses	-	(955)
Planloc deferred tax	-	(1,541)
<b>Total Deferred tax liabilities</b>	<b>4,370</b>	<b>2,359</b>

**Movements:**

Balance at the beginning of the year	2,359	3,684
Charged / (credit) to the profit and loss	1,017	3
Deferred tax asset from Bin 24 acquisition	-	213
Planloc deferred tax	994	(1,541)
<b>Total</b>	<b>4,370</b>	<b>2,359</b>
Unused income tax losses @ 30% (2020: 30%)		
- available to tax consolidation group	-	955

## Notes to the Financial Statements

### 17. Auditor's Remuneration

Remuneration of the auditor of the Group for:	<b>2021</b>	<b>2020</b>
	\$	\$
-Audit and other audit related services	52,845	54,544
-Tax compliance services	9,450	7,750
<b>Total</b>	<b>62,295</b>	<b>62,294</b>

### 18. Commitments and Contingencies

Since Planloc left the Group on February 2021, there are no longer any investment properties held under operating leases, and no future lease receivable commitments.

	<b>2021</b>	<b>2020</b>
	\$'000	\$'000
Receivable within 1 year	-	1,850
Receivable within 2-5 years	-	4,689
Receivable over 5 years	-	3,283
<b>Total</b>	<b>-</b>	<b>9,822</b>

There are no other commitments and contingencies as at 30 June 2021 (2020: Nil).

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

	<b>2021</b>	<b>2020</b>
	\$'000	\$'000
Loss for the year	(3,176)	(1,022)
Non-cash flows included in profit:		
Depreciation	146	308
Net loss on disposal of investments	54	-
Net gain on acquisition of assets	(394)	-
Impairment	-	303
Changes in assets and liabilities:		
Increase/(decrease) in deferred tax liability	1,016	-
(Increase)/decrease in trade and other receivables	122	(80)
Increase/(decrease) in trade payables and accruals	99	(590)
Increase/(decrease) in tax payable	590	-
Net cash flows used in operating activities	<b>(1,543)</b>	<b>(1,081)</b>

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

## Notes to the Financial Statements

### 20. Subsequent Events

The impact of COVID is ongoing and it is not practicable to estimate and quantify the potential impact on Pelorus investments after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 28 September 2021, one of Pelorus' investments, Li-S, listed on the ASX (ASX: LIS) and closed its first day of trading with a share price of \$2.33. This valuation would increase Pelorus' investment in Li-S Energy by \$1,703,000 to \$2,680,000, resulting in an increase in NTA to \$0.191 per share.

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.

### 21. Controlled Entities

Name	Country of incorporation	Percentage Owned	
		2021 %	2020 %
<b>Parent Entity:</b> Pelorus Private Equity Ltd	Australia		
<b>Subsidiaries of parent entity:</b> Bin24 Business Advisors Pty Ltd	Australia	100	100
Narraweena Pty Ltd*	Australia	100	29
RASP Investments Pty Ltd	Australia	100	100
Pelorus Pipes 5 Trust	Australia	100	100
Planloc Pty Ltd	Australia	-	100

\*Control was obtained on 30 June 2021.

### 22. 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:

	2021 \$'000	2020 \$'000
<b>Results:</b>		
(Loss)/ Profit after tax	(5,041)	4,189
Other Comprehensive income	1,960	2,476
<b>Total comprehensive (loss)/ income after tax</b>	<b>(3,081)</b>	<b>6,665</b>
<b>Financial position:</b>		
Current assets	5,871	7,612
Non-current assets	29,509	27,936
<b>Total assets</b>	<b>35,380</b>	<b>35,548</b>

## Notes to the Financial Statements

Current liabilities	(3,475)	(3,488)
Non-current liabilities	(4,238)	(2,328)
<b>Total liabilities</b>	<b>(7,713)</b>	<b>(5,816)</b>
<b>Net assets</b>	<b>27,667</b>	<b>29,732</b>
Share capital	11,654	10,638
Reserves	1,735	9,503
Retained earnings	14,278	9,591
<b>Total equity</b>	<b>27,667</b>	<b>29,732</b>

The parent entity had no contingencies or capital commitments at 30 June 2021 (2020: Nil).

### 23. 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.

	2021	2020
	\$	\$
<b>Revenue:</b>		
- Dividend and returns of capital received	1,072,419	852,000
- Other income received	37,449	-
- Interest received	5,719	-
<b>Expenses:</b>		
- Interest paid	1,108,194	748,000
- Consulting and management fees paid	818,098	651,536
- Directors' fees	290,000	290,000
<b>Outstanding balances:</b>		
- Trade receivables - current	5,719	8,644
- Loan receivables - current	184,709	6,340,000
- Trade payables - current	(4,846)	(207,226)
- Loan payables - current	(2,875,000)	(13,300,000)

## Notes to the Financial Statements

### (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	
	2021	2020	2021	2020
WOTSO Property	15,150,000	-	-	-
BlackWall Limited	1,950,000	1,325,000	58,425	47,625
Indigoblack	100	100	-	-
Kirela-C Unit Trust	199,495	165,237	-	-
WOTSO Limited	-	6,488,723	-	-
BlackWall Property Trust	-	11,000,000	791,033	770,000
WRV Unit Trust	-	1,975,000	-	-
Narraweena Pty Ltd	-	1,652	-	-
			<b>849,458</b>	<b>917,625</b>

As detailed in Note 6, holdings in BlackWall Property Trust and WOTSO Limited were converted to the new stapled security – WOTSO Property.

### (c) Key Management Personnel (KMP)

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

	Balance at 30 June		Balance at 30 June	
	2020	Net change	2021	
	No. '000	No. '000	No. '000	
Joseph (Seph) Glew	36,770	2,689	39,459	
Paul Tresidder	31,669	2,540	34,209	
Richard Hill	9,490	7,674	17,164	
Tim Brown	718	-	718	
Jessie Glew	-	-	-	
<b>Total</b>	<b>78,647</b>	<b>12,903</b>	<b>91,550</b>	

## 24. 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:

## Notes to the Financial Statements

	2021 \$'000	2020 \$'000
<b>Financial Assets</b>		
Financial assets	31,326	28,036
Loans	185	8,788
<b>Financial liabilities</b>		
Borrowings	2,875	23,300
Other financial liabilities	-	5,401

### (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 2021		June 2020	
	Interest rate %	Balance \$'000	Interest rate %	Balance \$'000
Borrowings – unhedged portion (Alerik)	2.25	2,875	2.25	3,300
Borrowings – unhedged portion (BWR)	-	-	2.25	10,000
Borrowings – unhedged portion (CBA)	-	-	2.05	10,000
Other financial liabilities	-	-	9.00	5,401

#### 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 \$'000	2020 \$'000
<b>Movement in interest rates</b>		
+ 1.0%	(29)	(233)
- 1.0%	29	233

#### (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 2021, i.e. \$1.47 per unit) would result in an unrealised loss of \$2,227,050 (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

## Notes to the Financial Statements

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
<b>At 30 June 2021</b>				
<b>Financial liabilities</b>				
Trade and other payables	21	-	-	21
Borrowings	2,875	-	-	2,875
	<b>2,896</b>	<b>-</b>	<b>-</b>	<b>2,896</b>
	Maturing within 1 year \$'000	Maturing 2 – 5 years \$'000	Maturing over 5 years \$'000	Total \$'000
<b>At 30 June 2020</b>				
<b>Financial liabilities</b>				
Trade and other payables	323	-	-	323
Other financial liabilities	5,401	-	-	5,401
Borrowings	13,300	10,000	-	23,300
	<b>19,024</b>	<b>10,000</b>	<b>-</b>	<b>29,024</b>

### (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.

## Notes to the Financial Statements

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>At 30 June 2021</b>				
Financial assets	23,362	-	7,964	31,326
<b>At 30 June 2020</b>				
Financial assets	16,090	-	7,957	24,047

### (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:

<b>At 30 June 2021</b>	<b>\$'000</b>
Balance at the beginning of year	7,957
Purchase	1,185
Sale	(19)
Fair value movement	1,191
Movement of WOTSO from Level 3 to Level 1 in Stapling	(2,182)
Investment in Narraweena (eliminated on acquisition)	(168)
Balance at the end of year	<u>7,964</u>
<b>At 30 June 2020</b>	
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	<u>7,957</u>

## 25. Dividend

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

	2021 \$'000	2020 \$'000
Franking credits available for the subsequent reporting periods based on a tax rate of 30% (2020: 30%)	<u>550</u>	<u>532</u>

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

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

## Notes to the Financial Statements

### 26 Group Details

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

### 27. 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.

### 28. 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

## **Notes to the Financial Statements**

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.

### **Discontinued operations**

Planloc was disposed of on February 2021 and the results of Planloc are presented separately as discontinued 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 \$1,445,000 for the continuing operations of Pelorus for the year ended 30 June 2021, the entity is considered a going concern. The main reason for the loss is a one-off income tax expense of \$1,547,000 caused by the disposal of Planloc. The distribution from BWR of \$791,000 is not included in the profit or loss as it is treated as a return of capital, due to the tax position of BWR. After the stapling of BWR to WOTSO Property on February 2021, WOTSO Property has made its first distribution of \$454,000 to Pelorus on 31 August 2021. 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

## **Notes to the Financial Statements**

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.

## 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.

### 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.

### 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.

## **Notes to the Financial Statements**

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.

## **Notes to the Financial Statements**

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

## **Notes to the Financial Statements**

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. She was made COO in early 2018 and took on the Managing Director role along with Tim in late 2019. Jessie has a Bachelor of International Communication from Macquarie University and finalising a Bachelor of Property Economics at the University of Technology Sydney.

#### **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 (Appointed 1 July 2020)**

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

### **Alexander Whitelum, Company Secretary**

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

### **Meeting Attendances**

<b>Director</b>	<b>Board Meetings Held</b>	<b>Board Meeting Attendance</b>
Seph Glew	4	4
Jessie Glew	4	4
Timothy Brown	4	4
Paul Tresidder	4	4
Richard Hill	4	4

### **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 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**

The impact of COVID is ongoing and it is not practicable to estimate and quantify the potential impact on Pelorus investments after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 28 September 2021, one of Pelorus' investments, Li-S, listed on the ASX (ASX: LIS) and closed its first day of trading with a share price of \$2.33. This valuation would increase Pelorus' investment in Li-S Energy by \$1,703,000 to \$2,680,000, resulting in an increase in NTA to \$0.191 per share.

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 2021



Jessie Glew  
Director  
Sydney, 30 September 2021

**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 2021 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 2021



Jessie Glew  
Director  
Sydney, 30 September 2021

## 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 2021, 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 30<sup>th</sup> of September 2021.



**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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies on pages, and the directors' declaration of the Group.

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

- giving a true and fair view of the Group's financial position as at 30 June 2021 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 2021 the financial impact of these departures is that loss after tax is overstated by:

	2021	2020
	\$	\$
Held for trading financial assets	3,883,462	3,070,007
Investment properties	1,857,470	698,828
Net unrecognised deferred tax expense	547,000	(2,633)
Total	6,287,932	3,766,202

Other comprehensive income is therefore overstated by \$6,287,932 (2020: \$3,766,202).

- *AASB 9 Financial Instruments*: Recognition and measurement stipulates that equity investments (Held for trading financial assets) are measured at fair value through profit or loss (FCPL), unless the entity makes an irrevocable election on initial recognition to present subsequent changes in the fair value in other comprehensive income.
- *AASB 140 Investment Properties* mandates that where the fair value model is selected, the gain or loss arising from a change in the fair value of investment property shall be recognised in profit or loss for the period in which it arises.

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

- *AASB 101 Presentation of Financial Statements* mandates the group include in its financial statements a summary of the departures from the Accounting Standards, including the financial effect of the departures for each period presented, this has not been presented.
- *AASB 112 Income Taxes* provides that comprehensive income transactions which result in movements in the deferred tax assets and liabilities shall be recognised in comprehensive income tax expense.

### Directors' Responsibilities for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 28 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](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf)  
This description forms part of our auditor's report.

Dated at Sydney the 30<sup>th</sup> of September 2021.

ESV

### ESV Business advice and accounting

T. Burns

**Travas Burns**  
Partner