



BLACKWALL
PROPERTY FUNDS

BQF

Annual Financial Statements

For the Year Ended 30 June 2013

BQF

ARSN 153 458 489

Responsible Entity: Pelorus Private Equity Ltd

ABN 45 091 209 639

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Directors' Report

The directors of Pelorus Private Equity Ltd ("Pelorus" or "the Responsible Entity"), the responsible entity of the BQF ("BQF" or "the Fund"), present their report for the year ended 30 June 2013.

The Fund

The Fund is a registered managed investment scheme. The Fund is a special purpose trust holding an interest in a large-scale real estate development known as the Bakehouse Quarter. BlackWall Property Funds Limited is appointed asset manager for the Fund. BQF has 19,928,138 units on issue at 30 June 2013.

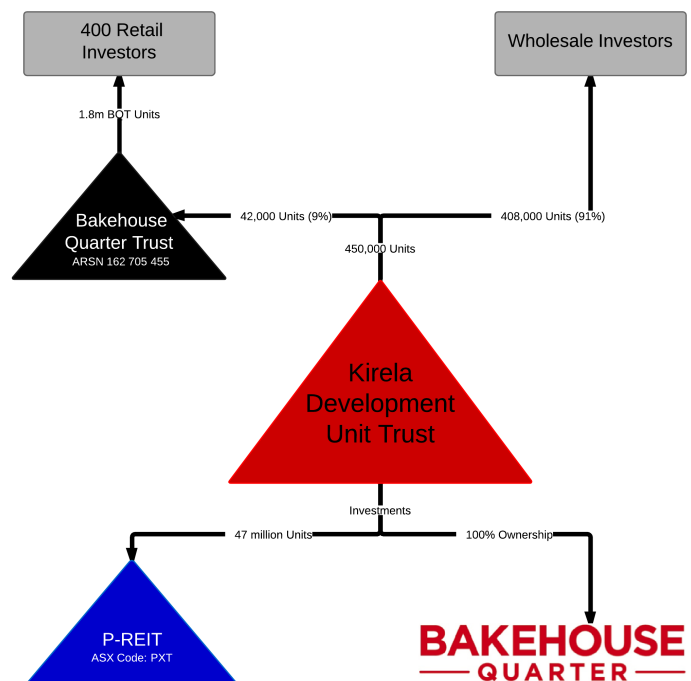
The Bakehouse Quarter is owned by a wholesale investment syndicate known as the Kirela Development Unit Trust (Kirela). Kirela purchased the property from Arnott's in 1997. BQF's interest in the project is by way of a development agreement between Kirela and BQF. That is, Kirela entered into a contract with BQF under which Kirela and BQF shared the value and income of the Bakehouse Quarter.

An offer was made to BQF members to exchange their interest in BQF for an interest in a new fund known as Bakehouse Quarter Trust (ARSN 162 705 455) (BQT). BQT is a managed investment scheme established to hold ordinary units in Kirela. The offer was made to all members on a ratio of one BQT unit for every BQF unit held. As at 30 June 2013 all BQF members have moved to BQT such that BQF now only has one member and is no longer a reporting entity. BQF will be deregistered as a managed investment scheme.

BQT's only investment is a holding in ordinary units in Kirela. In addition to the ownership of the Bakehouse Quarter, Kirela holds a substantial investment in BlackWall's listed property trust known as P-REIT (ASX Code: PXT).

Consequently value and returns of your investment are determined by the value and returns on Kirela Units. Kirela's value and returns are generated by:

1. the Bakehouse Quarter; and
2. P-REIT units.



Directors' Report (continued)

Significant Changes in Affairs and Subsequent Events

BQF now only has one member and is no longer a reporting entity. BQF will be deregistered as a managed investment scheme. These are the final financial statements to be issued for the Fund.

Other than the above, to the best knowledge of the Directors of the Responsible Entity, 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 Fund's operations in future financial years, the results of those operations or the Fund's state of affairs in future financial years.

Going Concern

BQF will be deregistered as a managed investment scheme therefore all assets and liabilities have been classified as current as at 30 June 2013. These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

Directors

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

Joseph (Seph) Glew
Robin Tedder
Stuart Brown

Information on Directors

Particulars of the Directors' qualifications, experience and special responsibilities are as follows:

Joseph (Seph) Glew, Executive 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 30 years. In addition, since the early 1990s Seph has run many "turn-around" processes in relation to distressed properties and property structures for both private and institutional property owners.

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

Robin Tedder, Non-Executive Director

Robin has 37 years' experience in investment and financial markets. He has been an investor in BlackWall's projects since 1997. Robin is the Chairman of Vintage Capital Pty Ltd an investment company with interests in property, wealth management, logistics and healthcare. He is a former member of the ASX and has served on the boards of several investment banks in Australia and overseas. He is a Director of Probiotec Ltd (a pharmaceutical manufacturing company listed on the ASX) and a Director of the retailer, Italtile Australia Pty Ltd. Robin is also a Fellow of the Financial Services Institute of Australasia. Previously, Robin was a Director of formerly ASX listed Pelorus Property Group Limited. Robin is also a Non-Executive Director of the ASX listed BlackWall Property Funds Limited.

Directors' Report (continued)

Stuart Brown, Non-Executive Director

Stuart has been involved in property investment for over 15 years across funds management, property services and finance. In 2006 he was appointed Chief Operating Officer and Chief Financial Officer of the then ASX listed Pelorus Property Group and later Managing Director. Stuart has run debt and equity raising in relation to listed and unlisted real estate structures with assets valued at over a half a billion dollars. In his earlier career, Stuart practised as a solicitor in the areas of real estate, mergers and acquisitions and corporate advisory with Mallesons and Gilbert + Tobin. Stuart is also a Director of ASX listed BlackWall Property Funds Limited and an independent Director of Coogee Boys' Preparatory School.

Company Secretary

Don Bayly is the Company Secretary and he has over 20 years' compliance management experience.

Meeting Attendances

| Director | Board Meetings |
|---------------|----------------|
| Meetings Held | 5 |
| Seph Glew | 5 |
| Robin Tedder | 5 |
| Stuart Brown | 5 |

Remuneration

Under the Fund's Constitution, the Responsible Entity is entitled to an ongoing management fee of up to 0.5% per annum of the value of the property. The Responsible Entity may accept lower fees and expenses than it is entitled to receive, or it may defer payment of those fees and expenses for any time. There were no fees paid or payable to the Responsible Entity out of the Fund during the financial year. The fees are paid out of the underlying assets of the Bakehouse Quarter. The interests held in the Fund by the Responsible Entity or its associates are set out in Note 9.

Environmental Regulation and Performance

The Fund'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 Responsible Entity has paid premiums to insure each of the Directors named in this report along with officers of that Responsible Entity 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 Responsible Entity, 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 Fund.

Non-audit Services

Amounts paid to the auditor for audit services during the year are detailed at Note 5 of the financial statements. The Fund did not engage the auditor for any non-audit services.

Directors' Report (continued)

Auditor's Independence Declaration

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.

Auditor

ESV Chartered Accountants continues in office in accordance with section 327 of the Corporations Act 2001.

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

A handwritten signature in black ink, appearing to be 'Stuart Brown', with a long horizontal flourish extending to the right.

Stuart Brown
Director
Sydney, 22 November 2013



Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

As auditor for the audit of BQF for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the 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 22nd day of November 2013

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

ESV

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

Tim Valtwies
Partner

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Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2013

| | 2013 \$ | 10 October 2011 to 30 June 2012 \$ |
|--|------------|--|
| Total revenue | - | - |
| Profit For the Year | - | - |
| Other comprehensive income for the year | - | - |
| Total Comprehensive Income For the Year | - | - |

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As at 30 June 2013

| | Note | 2013 \$ | 2012 \$ |
|--------------------------------------|------|--------------------------|--------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Financial assets | 3 | 70,250,000 | - |
| Total Current Assets | | <u>70,250,000</u> | <u>-</u> |
| Non-current Assets | | | |
| Financial assets | 3 | - | 61,400,000 |
| Total Non-current Assets | | <u>-</u> | <u>61,400,000</u> |
| TOTAL ASSETS | | <u>70,250,000</u> | <u>61,400,000</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Unitholders' liabilities | 4 | 70,250,000 | - |
| Total Current Liabilities | | <u>70,250,000</u> | <u>-</u> |
| Non-current Liabilities | | | |
| Unitholders' liabilities | 4 | - | 61,400,000 |
| Total Non-current Liabilities | | <u>-</u> | <u>61,400,000</u> |
| TOTAL LIABILITIES | | <u>70,250,000</u> | <u>61,400,000</u> |
| NET ASSETS | | <u>-</u> | <u>-</u> |
| INVESTORS' FUNDS | | | |
| Undistributed net income | | - | - |
| TOTAL INVESTORS' FUNDS | | <u>-</u> | <u>-</u> |

The Fund was registered on 10 October 2011.

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Statement of Changes in Equity

For the Year Ended 30 June 2013

Under accounting standards Fund members' interests are shown as a liability and as a consequence the Fund has no equity and there are no changes in equity for the current year and prior period.

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Statement of Cash Flows

For the Year Ended 30 June 2013

The Fund fully distributes all income and capital returns from the Project, as a consequence it has no cash flow from operations until distributions from the Project are made. As there were no distributions from the Project, the Fund has not had any cash flow movements for the current year and prior period.

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Notes to the Financial Statements

For the Year Ended 30 June 2013

1. Statement of Significant Accounting Policies

The financial statements cover BQF ("the Fund"). The Fund is a managed investment scheme registered in Australia. Pelorus Private Equity Limited is the responsible entity of the Fund ("Pelorus" or "the Responsible Entity").

The financial statements for the Fund were authorised for issue in accordance with the resolution of the Directors of the Responsible Entity on the date they were issued. These are the final financial statements to be issued for the Fund.

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 of the Fund also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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.

The following is a summary of the material accounting policies adopted by the Fund in the preparation of the financial statements.

New and amended standards adopted

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to *AASB 101 Presentation of Financial Statements* effective 1 July 2012 now require the statement of profit or loss and other comprehensive income ("profit or loss") to show the items of comprehensive income grouped in those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

Going concern

BQF will be deregistered as a managed investment scheme therefore all assets and liabilities have been classified as current as at 30 June 2013. These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

Presentation of financial statements

Presentation currency

Both the functional and presentation currency of the Fund is Australian dollars.

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Notes to the Financial Statements

For the Year Ended 30 June 2013

1. Statement of Significant Accounting Policies (continued)

Financial Assets

The financial assets of the Fund are Bakehouse Quarter interests under the development over a property known as Bakehouse Quarter.

Impairment of Asset

At each reporting date, the Fund 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 income statement.

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.

Financial Instruments

Recognition

A financial instrument is recognised if the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Fund's contractual rights to the cash flow from the financial assets expire or if the Fund 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 Fund commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Fund's obligations specified in the contract expire or are discharged or cancelled.

Income Tax

Under current income tax legislation the Fund is not liable for taxation where the taxable income is distributed in full to unitholders.

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Notes to the Financial Statements

For the Year Ended 30 June 2013

2. Critical Accounting Estimates and Judgments

The directors of the Responsible Entity 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 Fund.

Key estimates – financial assets

In accordance with the product disclosure statement dated 22 November 2010, unitholders are entitled to a share of residual value of the property at the termination of the Fund. The key assumptions used in this determination are set out in Note 3. Independent valuations are performed by registered independent valuers to support the values of the underlying assets and where an independent valuation has not been obtained, a Directors' valuation is prepared at each balance date. If there is any material change in the key assumptions due to changes in economic conditions, the fair value of the Bakehouse Quarter may differ and may need to be re-estimated.

3. Current and Non-current Assets – Financial Assets

| | 2013 \$ | 2012 \$ |
|--|-------------------|-------------------|
| Current | | |
| Share of residual value of Bakehouse Quarter Development Agreement | 70,250,000 | - |
| Total current financial assets | 70,250,000 | - |
| Non-current | | |
| Share of residual value of Bakehouse Quarter Development Agreement | - | 61,400,000 |
| Total non-current financial assets | - | 61,400,000 |
| Movements: | | |
| Balance at the beginning of the period | 61,400,000 | - |
| Additions | 8,850,000 | 61,400,000 |
| Balance at the end of year | 70,250,000 | 61,400,000 |

The Bakehouse Quarter Development Agreement provides for the Fund to receive a share of the value of the property. At the end of the term, the Fund is to be paid, broadly, 95% of the difference between the value of the property and defined creditors, less \$20 million. The value is calculated as follows:

| | \$ | \$ |
|---------------------------------------|--------------|--------------|
| Bakehouse Quarter value | 182,200,000 | 170,000,000 |
| Less: senior debt | (85,200,000) | (81,000,000) |
| Less: net project unsecured creditors | (2,000,000) | (3,300,000) |
| Gross development share | 95,000,000 | 85,700,000 |
| @ 95% | 90,250,000 | 81,400,000 |
| Less: Bakehouse Bonds repaid | (20,000,000) | (20,000,000) |
| Share of Bakehouse Quarter value | 70,250,000 | 61,400,000 |

For the year ended 30 June 2013, the Directors have updated their assessment of the fair value of the Bakehouse Quarter value. The key assumptions of the Directors' valuations have been taken from the last independent valuation reports (performed by Colliers International for the Eastern and Western Precinct on 14 August 2012 and 20 September 2012 respectively) with adjustments for change in net income.

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Notes to the Financial Statements

For the Year Ended 30 June 2013

4. Current and Non-current Liabilities – Unitholders’ Liabilities

| | 2013 | 2012 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Current | | |
| Amounts due to unitholders | 70,250,000 | - |
| Total current unitholders’ liabilities | <u>70,250,000</u> | <u>-</u> |
| Non-current | | |
| Amounts due to unitholders | - | 61,400,000 |
| Total non-current unitholders’ liabilities | <u>-</u> | <u>61,400,000</u> |

4. Current and Non-current Liabilities – Unitholders’ Liabilities (continued)

| Movements: | 2013 | 2012 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Balance at the beginning of the period | 61,400,000 | - |
| Contributions from unitholders | 8,850,000 | 61,400,000 |
| Balance at the end of year | <u>70,250,000</u> | <u>61,400,000</u> |

All units in the Fund are of the same class and carry equal rights. Under the Fund’s Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

Holders of units are entitled to participate in investment returns earned by the Fund in the proportion that their unitholdings comprise to the total number of units issued, and are entitled to one vote per unit at unitholders’ meetings. The Fund is expected to have a term of 20 years such that at termination all units will be redeemed.

Due to the finite life clause contained within the Fund’s Constitution, and in accordance with AASB 7 Financial Instruments: Disclosure, the issued units in the Fund have been classified as debt for reporting purposes.

5. Auditor’s Remuneration

| | 2013 | 10 October 2011 to 30 June 2012 |
|--|---------------|------------------------------------|
| | \$ | \$ |
| Remuneration of the auditor of the Fund for: | | |
| - Auditing the financial statements | 9,500 | 5,000 |
| - Other audit related services | 2,600 | 2,600 |
| Total auditor’s remuneration | <u>12,100</u> | <u>7,600</u> |

The fees will be borne and paid out of the underlying assets of the Bakehouse Quarter.

6. Commitments

There are no operating lease and capital lease commitments as at 30 June 2013.

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Notes to the Financial Statements

For the Year Ended 30 June 2013

7. Contingent Liabilities and Contingent Assets

The Fund had no contingencies as at 30 June 2013.

8. Subsequent Events

BQF now only has one member and is no longer a reporting entity. BQF will be deregistered as a managed investment scheme.

Other than as described above, to the best knowledge of the Directors of the Responsible Entity, 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 Fund's operations in future financial years, the results of those operations or the Fund's state of affairs in future financial years.

9. Related Party Transactions

(a) Related parties

The directors of the Responsible Entity and Investment Manager, their directors' related entities and key management personnel (refer to Note 10) are related parties ("related parties") of the Fund. The names of persons holding position of Directors of the Responsible Entity during the period and until the date of this report are:

Joseph (Seph) Glew
Robin Tedder
Stuart Brown

(b) Unitholdings by related parties

As at 30 June 2013, the Fund only had one member BQT who held 19,928,138 units. Total unitholdings held by related parties in the Fund as at 30 June 2013 were 17,121,543 units (2012: 8,881,534 units).

(c) Transactions with related parties

There were no management fees paid or payable to the Responsible Entity out of the Fund during the financial period. The remunerations to the Responsible Entity were paid out of the underlying assets of the Bakehouse Quarter.

10. Key Management Personnel Disclosures

The Fund does not provide any short-term or post-employment benefits to its key management personnel. Key management personnel include Directors of the Responsible Entity.

11. Financial Risk Management

(a) Financial risk management

The main risks the Fund is exposed to through its financial instruments are market risk, credit risk and liquidity risk. The Fund's principal financial instruments are financial assets and borrowings.

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

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Notes to the Financial Statements

For the Year Ended 30 June 2013

11. Financial Risk Management (continued)

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the risk management framework. They monitor the Fund's risk exposure by regularly reviewing finance and property markets. The Fund holds the following major financial instruments:

| | 2013 | 2012 |
|---|------------|------------|
| | \$ | \$ |
| Financial assets | | |
| Bakehouse Quarter Development Agreement | 70,250,000 | 61,400,000 |
| Financial liabilities | | |
| Amounts due to unitholders | 70,250,000 | 61,400,000 |

(b) Market risk

Any major fluctuations in interest rate will not affect the net position of the Fund.

(c) Credit risk

The Fund is not exposed to any major credit risk other than the mortgages on the underlying financial assets.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the available funding through an adequate amount of credit facilities to meet obligations when due. The Fund's liquidity management policy involves monitoring balance sheet liquidity against internal cash flows projection, and maintaining debt financing plans. Liquidity is managed by the Responsible Entity, unitholders' liabilities will not be extinguished until the Responsible Entity has determined that it is appropriate to do so based on cash flows of the development.

At the end of the reporting period, the Fund held the following financial arrangements that are expected to readily generate cash inflows and outflows for managing liquidity risk. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Maturing within 1 year \$ | Maturing 1 - 5 years \$ | Maturing over 5 years \$ | Total \$ |
|------------------------------|------------------------------|----------------------------|-----------------------------|-------------------|
| At 30 June 2013 | | | | |
| Financial assets | | | | |
| Financial assets | 70,250,000 | - | - | 70,250,000 |
| | 70,250,000 | - | - | 70,250,000 |
| Financial liabilities | | | | |
| Unitholders liabilities | 70,250,000 | - | - | 70,250,000 |
| | 70,250,000 | - | - | 70,250,000 |
| At 30 June 2012 | | | | |
| Financial assets | | | | |
| Financial assets | - | - | 61,400,000 | 61,400,000 |
| | - | - | 61,400,000 | 61,400,000 |
| Financial liabilities | | | | |
| Unitholders liabilities | - | - | 61,400,000 | 61,400,000 |
| | - | - | 61,400,000 | 61,400,000 |

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Notes to the Financial Statements

For the Year Ended 30 June 2013

12. Segment Reporting

The Fund currently operates in one business segment in Australia.

13. Fund Details

Principal place of business

The management of the Fund is undertaken at:

Level 1, 50 Yeo Street

Neutral Bay, NSW, 2089

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Directors' Declaration

In the opinion of the Directors of Pelorus Private Equity Limited, the Responsible Entity of BQF:

- (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 Fund's financial position as at 30 June 2013 and of its performance for the financial period ended on that date, and
- (b) there are reasonable grounds to believe that the Fund 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 of the Responsible Entity.



Stuart Brown

Director

Sydney, 22 November 2013



Independent Audit Report to the Investors of BQF

Report on the Financial Report

We have audited the accompanying financial report of BQF, which comprises the statement of financial position as at 30 June 2013, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Pelorus Private Equity Limited ("the Responsible Entity") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity, would be in the same terms if given to the directors as at the time of this auditor's report.



Independent Audit Report to the Investors of BQF

Opinion

In our opinion the financial report of BQF is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of its financial position for the year ended 30 June 2013 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Dated at Sydney the 28th day of November 2013

ESV

Tim Valtwies
Partner