



Interim Consolidated Financial Statements

Half-year Ended 31 December 2020

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CONTENTS

Financial Statements

Directors' Report	Page 3
Consolidated Statement of Financial Position	Page 5
Consolidated Statement of Profit or Loss	Page 6
Consolidated Statement of Other Comprehensive Income	Page 7
Consolidated Statement of Cash Flows	Page 8
Consolidated Statement of Changes in Equity	Page 9
Notes to the Consolidated Financial Statements	Page 10
Directors' Report – Continued	Page 19
Directors' Declaration	Page 20
Auditor's Independence Declaration	Page 21
Independent Auditor's Review Report	Page 22



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 small positions in start-up businesses. The company has 158,161,465 shares on issue and NTA of \$0.172 per share. No dividends were paid or declared for the interim period ended 31 December 2020 (31 December 2019: \$nil).

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. This focus gives Pelorus direction to become a true private equity investment vehicle that is able to seize new opportunities as they arise. The Company will continue to have a healthy mix of traditional investments (such as interests in WOT) and more speculative ventures (such as investments in start-up businesses).

Investment Portfolio

BWR and WOTSO

At 31 December 2020, Pelorus held 8% of BWR units and 8% of WOTSO shares.

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

WOTSO is a provider of flexible workspace solutions for all business types. In just six years WOTSO has grown to 16 sites across 5 Australian states. The business has taken advantage of the rapid development of technologies that facilitate remote working and increased workforce flexibility. 70% of WOTSO's revenue is derived from the leasing of private office space on monthly terms and the remainder resulting from memberships that grant access to open plan, coworking spaces. WOTSO's network of suburban spaces has traditionally catered to small to medium sized enterprises, however, it is now experiencing increased interest from larger businesses who see WOTSO's offering as an alternative to their employees working from home.

A stapling transaction between BlackWall Property Trust (BWR), WOTSO Limited (WOTSO) and Planloc (sold by Pelorus), was implemented on 17 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. Following the stapling transaction, Pelorus holds 8% of the stapled entity as at current date. At the current price (as of 2 March 2021) of \$1.38/security, this equates to an investment of \$18.4 million.

Planloc (a subsidiary of Pelorus) was demerged from Pelorus as part of the stapling transaction and has been shown as a discontinued operation within the current period 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.



Kirela-C Unit Trust

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

Private Equity Investments

Pelorus from time to time looks at opportunities to invest in private equity ventures. During FY20, Pelorus invested \$75,000 in Li-S Energy Limited, who are involved in the manufacture of lithium sulphur batteries.

A conservative approach has been taken in relation to the Company's investments in other start-up entities and the choice has been made to write down the value of these investments to nil. This is due to significant uncertainty around the overall impact of COVID on these entities and the subsequent impact to the valuation of Pelorus's investment. These entities continue to operate and their valuations will continue to be assessed and updated at each reporting period.

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 but as the WOT portfolio is well positioned with few vacancies, the valuation volatility is considered an opportunity for acquisitions rather than a threat.

WOTSO responded to COVID by offering all members immediate, no penalty suspensions to their membership. 65% of WOTSO's membership base took up this offer. However, it has since recovered with occupancy levels now above those pre-COVID. WOTSO also benefitted from rental waivers and deferrals during the COVID period. This has resulted in a total of \$1,070,000 of rental waivers and \$865,000 of rental deferrals by 31 December 2020. Repayment of deferrals will commence in the second half of FY2021 and will continue over the greater of the remaining term of each lease or 2 years.

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

Dividends

There were no dividends paid or declared for the period ended 31 December 2020 (2019: \$nil).

Financial Statements

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	December 2020 \$'000	June 2020 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		24	45
Trade and other receivables		61	26
Financial assets	2	1,639	1,166
Loans	3	6,998	8,788
Total Current Assets		8,722	10,025
Planloc assets held for disposal (current asset)		26,459	26,112
Non-current Assets			
Financial assets	4	24,335	22,881
Property, plant and equipment		68	68
Total Non-current Assets		24,403	22,949
TOTAL ASSETS		59,584	59,086
LIABILITIES			
Current Liabilities			
Trade and other payables		140	54
Borrowing	5	1,331	5,295
Current tax payable		62	62
Total Current Liabilities		1,533	5,411
Planloc liabilities held for disposal (current liability)		26,459	25,602
Non-current Liabilities			
Deferred tax liabilities		4,451	2,359
Total Non-current Liabilities		4,451	2,359
TOTAL LIABILITIES		32,443	33,372
NET ASSETS		27,141	25,714
EQUITY			
Share capital		10,641	10,641
(Accumulated losses)/ Retained earnings		(331)	1,584
Reserves - Pelorus		9,641	9,974
Reserves - Planloc		7,190	3,515
TOTAL EQUITY		27,141	25,714
Number of shares on issue		158,161,465	158,161,465
NTA per share		\$0.172	\$0.162

The accompanying notes form part of these consolidated financial statements.

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2020

		December 2020 \$'000	Restated December 2019 \$'000
	Note		
REVENUE			
Investment income		120	82
Other Income		100	3
Gain on disposal of assets	7	-	3
Total Revenue		220	88
EXPENSES			
(Loss) on disposal of assets	7	(73)	-
Financing costs		(17)	(33)
Business operating expenses		(203)	(214)
Other expenses		(25)	(5)
Impairment		-	(303)
Total Expenses		(318)	(555)
(Loss) Before Tax		(98)	(467)
Income tax expense		-	-
(Loss) After Tax from continuing operations		(98)	(467)
(Loss) from discontinuing operations - Planloc	8	(1,817)	(217)
(Loss) from discontinuing operations – WOTSO Franchise	8	-	-
(Loss) for the Year		(1,915)	(684)

The accompanying notes form part of these consolidated financial statements.

Financial Statements

Consolidated Statement of Other Comprehensive Income

For the Half-Year Ended 31 December 2020

		December 2020 \$'000	Restated December 2019 \$'000
	Note		
(Loss) for the period		(1,915)	(684)
Other Comprehensive Income/ (Loss)			
<i>Items that may be reclassified to profit or loss</i>			
Unrealised gain on revaluation of financial assets		1,759	2,073
Deferred tax		(2,092)	(213)
Other Comprehensive Income/ (Loss) for the Year from continuing operations	6	(333)	1,860
Other Comprehensive Income for the Year from discontinuing operations	8	3,675	1,201
Total Comprehensive Income for the Year		1,427	2,377
Total Comprehensive Income Attributable To:			
Owners of the Group		1,427	2,377
Outside equity interests		-	-
		1,427	2,377

The accompanying notes form part of these consolidated financial statements.

Financial Statements

Consolidated Statement of Cash Flows For the Half-Year Ended 31 December 2020

	December 2020 \$'000	Restated December 2019 \$'000
Cash Flows From Operating Activities (continuing)		
Interest received	89	42
Dividends and distributions received	31	41
Payments to suppliers	(323)	(945)
Interest paid	(16)	(33)
Net Cash Flows (Used in) / From Operating Activities (continuing)	(219)	(895)
Cash Flows From Investing Activities (continuing)		
Returns of capital received	1,363	397
Proceeds from sale of investments	21	-
Payments for purchase of financial assets	(1,165)	-
Acquisition of investments	-	(3,561)
Payment to acquire Bin 24 net of cash received	-	(1,573)
Net Cash Flows (Used in) / From Investing Activities (continuing)	219	(4,737)
Cash Flows From Financing Activities (continuing)		
Net loans with related parties	(690)	(988)
Net proceeds from issue of shares	-	495
Net Cash Flows (Used in) / From Financing Activities (continuing)	(690)	(493)
Net Increase / (Decrease) in Cash Held (continuing)	(690)	(6,125)
Net Increase / (Decrease) in Cash Held (discontinued)	608	6,398
Cash and cash equivalents at the beginning of the year	179	36
Cash and Cash Equivalents at End of the Period	97	309
Cash Flow Information - Discontinued		
Net Cash Flows from / (used in) operating activities	(1,238)	797
Net Cash Flows from / (used in) investing activities	(7)	(560)
Net Cash Flows from / (used in) financing activities	1,853	6,161
Net Increase / (Decrease) in Cash Held (discontinued)	608	6,398

The accompanying notes form part of these consolidated financial statements.

Financial Statements

Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2020

	Ordinary Shares \$'000	Retained Earnings/ (Accumulated Losses) \$'000	Reserves \$'000	Attributable to Owners of the Parent \$'000	Non- controlling Interest \$'000	Total \$'000
Balance at 1 July 2020	10,641	1,584	13,489	25,714	-	25,714
Loss for the period	-	(1,915)	-	(1,915)	-	(1,915)
Other comprehensive income	-	-	3,342	3,342	-	3,342
Balance at 31 December 2020	10,641	(331)	16,831	27,141	-	27,141
Balance at 1 July 2019	10,146	2,606	9,723	22,475	-	22,475
Loss for the period	-	(684)	-	(684)	-	(684)
Other comprehensive income	-	-	3,061	3,061	-	3,061
Issue of new shares	495	-	-	495	-	495
Balance at 31 December 2019	10,641	1,922	12,784	25,347	-	25,347

The accompanying notes form part of these consolidated financial statements.

Notes

For the Half- Year Ended 31 December 2020

1. COVID Impact

In the current six months to 31 December 2020 Planloc has continued to provide rent relief to tenants in the form of rent waivers and deferrals as required by the mandatory code of conduct between landlords and tenants, and this has resulted in a reduction of property rental income by \$122,000.

2. Current Assets – Financial Assets

The Company has investments in various listed and unlisted investments detailed as follows:

Financial Assets	Note	December 2020 \$'000	June 2020 \$'000
Listed - BlackWall Limited		606	470
Unlisted – Waratah Hotel Fund		364	347
Unlisted – Narraweena Pty Ltd *	(i)	424	168
Unlisted – IndigoBlack *	(ii)	55	72
Unlisted - Linqto		81	-
Unlisted Startup – Li-S Energy Limited		75	75
Unlisted Startup - Lake Road Project		34	34
Unlisted Startup - Sportility	(iii)	-	-
Unlisted Startup – Unifii	(iii)	-	-
Unlisted Startup – Primary Market	(iii)	-	-
Total		1,639	1,166

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

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

(ii) IndigoBlack is a construction company located in Sydney.

(iii) Investments in Sportility, Unifii and Primary Market have been written down to nil due to the significant uncertainty around the overall impact of COVID on these entities and the subsequent impact to the valuation of Pelorus's investment. These entities continue to operate and their valuations will continue to be assessed and updated at each reporting period. They had original investments made in them of \$300k, \$50k and \$50k respectively.

Notes

For the Half- Year Ended 31 December 2020

3. Current Assets – Loans

	December 2020	June 2020
	\$'000	\$'000
Related party loans (unsecured):		
Loans - Narraweena	4,336	4,332
Loans - Tidy Harold	71	2,008
Loans - Other	7	7
	<hr/> 4,414	<hr/> 6,347
Related party loans (secured)	1,052	1,069
Loans - Other (secured)	1,358	1,372
Loans - Other (unsecured)	174	-
Total	<hr/> 6,998 <hr/>	<hr/> 8,788 <hr/>

4. 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		December 2020	June 2020
	Note	\$'000	\$'000
Listed - BlackWall Property Trust	(i)	16,694	15,620
Unlisted - WOTSO Limited	(i)	2,401	2,401
		<hr/> 19,095	<hr/> 18,021
Unlisted – Kirela-C Unit Trust	(ii)	5,240	4,860
Total		<hr/> 24,335 <hr/>	<hr/> 22,881 <hr/>

(i) *BlackWall Property Trust (BWR) and WOTSO*

The BWR valuation is based on the share price of BWR at 31 Dec 20 of \$1.45. WOTSO was valued on the price that the stapling transaction was struck at being 37.5cps.

The stapling transaction between BlackWall Property Trust (BWR), WOTSO Limited (WOTSO) and Planloc (a discontinued operation of Pelorus), was implemented on 17 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 on a normal settlement basis.

Prior to the stapling, PPE held 8% of WOTSO shares and 8% of BWR units. Following the stapling transaction, PPE holds 8% (13,208,976 securities) of the stapled entity.

(ii) *Kirela-C Unit Trust*

The Kirela-C Unit Trust is an investment trust that holds various positions is BlackWall controlled investments via a wholly owned subsidiary, Tidy Harold Pty Ltd. Its major investments include the listed BWR (now 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.

Notes

For the Half- Year Ended 31 December 2020

5. Current Liabilities – Borrowings

	December 2020	June 2020
	\$'000	\$'000
Borrowings - Alerik	820	3,300
Borrowings - Planloc (discontinued operation)	511	1,995
Total	1,331	5,295

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

The loan from Planloc was previously eliminated on consolidation of the Planloc subsidiary. The opposite side of the loan has been disclosed as a loan receivable in the Planloc discontinuing operation due to the departure of Planloc from Pelorus group. The loan has been repaid as part of the stapling process.

6. Departure from Australian Accounting Standards

The Financial Statements have removed unrealised gains (losses) and deferred taxation from the Statement of Profit or Loss and have instead disclosed these items in the Statement of Other Comprehensive Income. The reason for this is to make a clear distinction for the users of these financial statements between results actually achieved (Statement of Profit or Loss) and items which may (but are not certain) to be achieved in some future financial period (Statement of Other Comprehensive Income). Australian Accounting Standards require all unrealised gains (losses) and deferred taxation items to be included in the Statement of Profit or Loss.

As a result of this departure the Statement of Profit or Loss is understated for profits (and consequently the Statement of Other Comprehensive Income is overstated). The Statement of Profit or Loss is overstated for losses (and consequently the Statement of Other Comprehensive Income is understated). The specific amounts for each main category of departure from relevant AASB Standard is set out in the table below:

	December 2020	December 2019
	\$'000	\$'000
Unrealised gain on revaluation of financial assets (AASB 9)	2,035	3,238
Unrealised gain on revaluation of investment properties (AASB 140)	1,858	551
Deferred tax (AASB 112)	(551)	(728)
Total unrealised gain and deferred tax	3,342	3,061

7. (Loss)/ Gain on disposal of assets

	December 2020	December 2019
	\$'000	\$'000
Disposal of Penrith Fund No.3 units	(76)	-
Disposal of BlackWall Limited shares	3	-
Disposal of equipment	-	3
Total unrealised gain and deferred tax	(73)	3

Notes

For the Half- Year Ended 31 December 2020

8. Discontinued operations

Discontinued operations – WOTSO Franchise

BWR Franchise was acquired by WOTSO Limited on 8 January 2020 for nil consideration. At this time the entity had nil net assets and had achieved a break-even result as at December 2019 with revenue of \$2,572,000 and related operating expenses of \$2,572,000.

Discontinued operations – Planloc Pty Limited

Planloc Pty Limited was disposed of to form part of the new WOT stapled structure, which was implemented on 17 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 (with comparatives restated), and Planloc balances disclosed separately as either assets or liabilities held for disposal in the Statement of Financial Position. Further details are set out below.

Profit or Loss Information- Planloc

	December 2020 \$'000	December 2019 \$'000
Revenue		
Property rental income	863	696
Total Revenue	863	696
Expenses		
Property outgoings	(185)	(252)
Business operating expenses	(70)	(91)
Finance costs	(428)	(359)
Depreciation expense	(146)	(211)
Performance Fees	(1,751)	-
Intercompany charges	(100)	-
Total Expenses	(2,680)	(913)
(Loss) from discontinuing operations	(1,817)	(217)
Other Comprehensive Income/ (Loss)		
<i>Items that may be reclassified to profit or loss</i>		
Unrealised gain on revaluation of financial assets	276	1,165
Unrealised gain on revaluation of investment properties	1,858	551
Deferred tax	1,541	(515)
Other Comprehensive Income for the Year from discontinuing operations	3,675	1,201



Notes

For the Half- Year Ended 31 December 2020

Asset and Liabilities Information - Planloc

	December 2020 \$'000
Assets	
Cash and cash equivalents	73
Trade and other receivables	31
Investment in WRV	4,266
Pelorus loan receivable*	511
Penrith investment property	21,500
Deferred rent receivable	78
TOTAL ASSETS	26,459
Liabilities	
Trade and other payables	106
Loan from BWR	16,353
Loan from CBA	10,000
TOTAL LIABILITIES	26,459
NET ASSETS	-

*Includes deferred tax liability of \$2m which was transferred to head entity of the consolidated tax group.

WRV Unit Trust

The financial assets include a 49 percent investment in the WRV Unit Trust.

Loan Receivable

The Pelorus loan receivable was previously eliminated on consolidation of the Planloc subsidiary. The corresponding payable has been disclosed as a loan payable within continuing operations and will be repaid as part of the stapling transaction.

120 Mulgoa Road, Penrith

The property is a big box retail complex located at 120 Mulgoa Road, Penrith. The property has gross income of around \$1.7 million p.a. Tenants include Boating Camping Fishing, Barbeques Galore, Little Learning Child Care, Tru Ninja, and Rashay's Pizza Pasta Grill. The amount of vacant space is minimal. The property has been independently valued at \$21.5 million in November 2020, reflecting a market yield of 6.75%.

Deferred rent has been provided to tenants impacted by COVID-19 under the mandatory code of conduct between tenants and landlords. Tenants are required to repay these deferred amounts over the greater of 2 years or the remaining term of the lease.

The loan from BWR is repayable at call and is subject to interest at a margin of 2.0% over the RBA cash rate. The loan from CBA was taken out in January 2020 for a loan term of 3 years and is subject to interest at a margin of 1.9% over BBSY.

Notes

For the Half- Year Ended 31 December 2020

Cash Flow Information – Planloc and WOTSO Franchise

	December	Restated
	2020	December
	\$'000	2019
		\$'000
Cash flows from operating activities		
Receipts from property customers	863	1,240
WOTSO Franchise receipts	-	2,573
Payments to suppliers	(355)	(99)
Performance fees paid	(1,318)	-
WOTSO Franchise payments	-	(2,558)
Interest paid	(428)	(359)
Net Cash Flows (Used in)/ from Operating Activities	(1,238)	797
 Cash Flows used in Investing Activities		
Payments for capital expenditure	(7)	(560)
Net Cash Flows used in Investing Activities	(7)	(560)
 Cash Flows from Financing Activities		
Net loan movement	1,853	6,161
Net Cash Flows Used in Financing Activities	1,853	6,161
 Net cash inflow	608	6,398

9. Subsequent Events

The stapling of BlackWall Property Trust (BWR) to WOTSO was implemented on 17 February 2021 and the stapled group called WOTSO Property now trades under the ASX ticker of WOT. As part of the stapling, Planloc has departed from the Pelorus group as disclosed in Note 8.

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

10. Fair Value Measurement of Financial Instruments

(a) 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).

Notes

For the Half- Year Ended 31 December 2020

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 measured at fair value. Refer to the Critical Accounting Estimates and Judgments note for further details of assumptions used and how fair values are measured.

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
At 31 December 2020				
Financial assets	17,300	-	8,674	25,974
At 30 June 2020				
Financial assets	16,090	-	7,957	24,047

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

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

(c) Reconciliation of movements (Level 3)

- (i) The following table is a reconciliation of the movements in financial assets classified as Level 3 (for investment property refer to Note 3):

	\$'000
At 31 December 2020	
Balance at the beginning of period	7,957
Return of capital	-
Fair value movement	717
Balance at the end of period	8,674
At 30 June 2020	
Balance at the beginning of year	7,453
Purchase	5,520
Sale	(3,178)
Return of capital	(16)
Fair value movement	2,167
WRV investment – held by Planloc (discontinued)	(3,989)
Balance at the end of year	7,957

(ii) Investment in Unlisted Shares

The Level 3 asset sensitivity analysis is as follow:

	Sensitivity	Impact
Investment in Unlisted Shares	+/-10%	Increase/ decrease in fair value by \$867,000



Notes

For the Half- Year Ended 31 December 2020

11. Group Details

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

12. 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.

13. 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.



Notes

For the Half- Year Ended 31 December 2020

Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

Following accounting policies have not been applied during the half year reporting period ended 31 December 2020 (consistent departure with prior periods):

AASB 9 Financial Instruments

AASB 101 Presentation of Financial Statements

AASB 112 Income Taxes (deferred tax movement and tax losses to profit and loss)

AASB 140 Investment Properties (fair value movement to profit and loss)

The Directors considered it more appropriate not to adopt the above Standards to give more commercial and true results to the users of these financial statements. Refer to the Independent Auditor's Report relating to quantitative impact should these Standards be adopted. When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

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

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

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.

New Accounting Standards and Interpretations

The consolidated entity 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 (Executive Chairman)
Paul Tresidder (Non-executive Director)
Richard Hill (Non-executive Director)
Jessica Glew (Executive Director)
Timothy Brown (Executive Director)
Alex Whitelum (Company Secretary)

Auditor

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out in these financial statements. ESV continues in office in accordance with section 327 of the Corporations Act 2001.

Rounding of Amounts

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

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

A handwritten signature in dark ink, appearing to read "T. B.", written over a light blue horizontal line.

Timothy Brown
Director
Sydney, 15 March 2021

A handwritten signature in dark ink, appearing to read "JA", written over a light blue horizontal line.

Jessie Glew
Director
Sydney, 15 March 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 AASB 134 Interim Financial Reporting, 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 31 December 2020 and of its performance for the financial period 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.

A handwritten signature in dark ink, appearing to read "Timothy Brown".

Timothy Brown
Director
Sydney, 15 March 2021

A handwritten signature in dark ink, appearing to read "Jessie Glew".

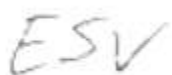
Jessie Glew
Director
Sydney, 15 March 2021

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF PELORUS PRIVATE EQUITY LIMITED AND CONTROLLED ENTITIES

In accordance with the requirements of section 307C of the Corporations Act, as auditor for the review of Pelorus Private Equity Limited and Controlled Entities for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contravention of any applicable code of professional conduct in relation to the review.

Dated at Sydney on the 15th of March 2021



ESV Business Advice and Accounting



Travas Burns
Partner



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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Pelorus Private Equity Limited and its Controlled Entities ("the Group") which comprises of the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of cashflows, consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, we have not become aware of any matters that makes us believe that the half-year financial report of Pelorus Private Equity Limited and its Controlled Entities is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Qualified Conclusion

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.

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

For the half-year ended 31 December 2020 the financial impact of these departures is that loss after tax is overstated by:

	December 2020 \$	June 2020 \$
Held for trading financial assets	2,035,316	3,070,007
Investment properties	1,857,870	698,828
Net impact of offsetting tax loss and deferred tax liability movement	(550,874)	(2,633)
Total	3,342,312	3,766,202

Other comprehensive income is therefore overstated by \$3,342,312 (June 2020: \$3,766,202). The departure has resulted net assets presented in the Statement of Financial Position at the reporting date to be overstated by \$Nil (June 2020: \$Nil). The cumulative effect of the departure being \$16,832,000 which should be recorded in accumulated losses.

- *AASB 9 Financial Instruments*: Recognition and measurement stipulates that equity investments (Held for trading financial assets) are measured at fair value through profit or loss (FCPL), unless the entity makes an irrevocable election on initial recognition to present subsequent changes in the fair value in other comprehensive income.
- *AASB 140 Investment Properties* mandates that where the fair value model is selected, the gain or loss arising from a change in the fair value of investment property shall be recognised in profit or loss for the period in which it arises.
- *AASB 101 Presentation of Financial Statements* mandates the group include in its financial statements a summary of the departures from the Accounting Standards, including the financial effect of the departures for each period presented, this has not been presented.
- *AASB 112 Income Taxes* provides that comprehensive income transactions which result in movements in the deferred tax assets and liabilities shall be recognised in comprehensive income tax expense.

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our review of the half-year financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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

Directors' Responsibility for the Financial Report

The Directors of the Group are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report does not give a true and fair view of the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the half-year ended on that date, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Dated at Sydney on the 15th of March 2021

ESV

ESV Business Advice and Accounting

T. Burns

Travas Burns
Partner