



## **Interim Consolidated Financial Statements**

Half-year Ended 31 December 2014

**Pelorus Private Equity Limited**

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## Directors' Report

### Principal Activities and Significant Changes in Affairs

Pelorus is a property investment company invested in two properties directly and a number of property security positions. The Company's investments are managed by BlackWall Property Funds Limited (ASX Code: BWF) (BlackWall). The Company had 200,899,297 shares on issue at 31 December 2014.

Further information on some of the Company's investments is provided below:

#### *BlackWall Property Trust (ASX Code: BWR)*

Pelorus' largest investment is in BlackWall Property Trust, an ASX-listed real estate investment trust managed by BlackWall. The trust has \$116 million of gross assets comprised of a portfolio of commercial, retail and industrial property along with an investment of approximately \$21 million in Bakehouse Bonds. The Bonds expire on 2020 and attract a coupon of 5.5% per annum.

Pelorus holds 16% of BWR units. BWR has declared an interim distribution of 0.55 cents per unit (100% tax deferred). This distribution will be paid after BWR conducts a unit consolidation on a 10 to 1 basis. On a post consolidation basis, the distribution rate will be 5.5 cents per unit, however, the total amount of the distribution will remain the same. For more information on BWR please refer to its half-year results announcement, which was recently released to the market.

BWR is a stable, income producing property trust. BlackWall aims to grow its assets and scale through development opportunities, mergers or acquisitions.

#### *BlackWall Property Funds (ASX Code: BWF)*

Pelorus has an investment in the listed BlackWall Property Funds Limited (ASX Code: BWF). BWF recently announced an interim distribution of 1.3 cents per share to be paid on 30 April 2015. BWF made an after tax profit of \$1.3 million for the six months ended 31 December 2014. For more information on BWF please refer to its half-year results announcement, which was recently released to the market.

#### *Pymont Bridge Trust*

Pelorus hold units in BlackWall Opportunities Fund (formerly Tankstream Property Investments Fund), which recently invested in Pymont Bridge Trust, BlackWall's newly established investment trust. BlackWall completed a capital raising to close an \$80 million acquisition of distressed debt in conjunction with NAB. BlackWall now controls a large office, media and technology hub on the Western fringe of Sydney's CBD known as 55 Pymont Bridge Road, Pymont. The trust has a 5-year term.

BlackWall was introduced to the project as an asset manager to devise and execute a repositioning strategy for NAB and the receiver and manager, PwC. The property's issues were caused by the insolvency of UBI World TV in 2011 and Fox Sports vacating a further 4,800 sqm in 2013.

55 Pymont Bridge Road has over 14,000 sqm of net lettable area, 8,000 sqm of which is already leased to tenants including Verizon, Fairfax Media and Data Processors. BlackWall has secured over 3,000 sqm of new leasing deals including a childcare centre and a number of media and IT tenants. In addition, BlackWall's serviced office business, WOTSO WorkSpace, has established an operation at the property.

### **Share Buy-Back**

In accordance with the terms of the Pelorus demerger approved by shareholders in late 2010, Pelorus has made an offer to all shareholders to buy back their Pelorus shares in exchange for ASX-listed BlackWall Property Trust (BWR) units on the basis of one BWR unit for every two Pelorus shares held. At the time of the demerger BWR was known as P-REIT (ASX Code: PXT). The offer closes on 27 March 2015. At the date of this report, Pelorus has received acceptances for around 4% of shares on issue. Pelorus may buy back up to 10% without obtaining further shareholder approval.

### **Dividends**

There were no dividends paid or declared for the period ended 31 December 2014 (2013: \$nil).

### **Events Subsequent to Reporting Date and Likely Developments**

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

### **Officeholders**

The names of the Directors 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 (Executive Chairman)  
Robin Tedder (Non-executive Director)  
Stuart Brown (Non-executive Director and Chief Executive Officer)  
Caroline Raw (Company Secretary from 18 February 2015)  
Don Bayly (Company Secretary until 18 February 2015)

### **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 Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order 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.



Seph Glew  
Chairman  
Sydney, 12 March 2015



**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 2014, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Dated at Sydney the 12<sup>th</sup> day of March 2015

A handwritten signature in blue ink, appearing to read 'Tim Valtwies', written over the printed name.

**ESV Accounting and Business Advisors**

**Tim Valtwies**  
**Partner**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

**For the Half-year Ended 31 December 2014**

	Note	December 2014 \$'000	December 2013 \$'000
Property rental income		1,661	1,490
Investment income		291	38
Gain on disposal of assets		36	222
Unrealised gain on revaluation of assets	1	-	207
Other income		-	1
<b>Total Revenue</b>		<b>1,988</b>	<b>1,958</b>
Business operating expenses		(264)	(348)
Depreciation expenses		(200)	(207)
Property outgoings		(193)	(334)
Finance costs		(749)	(828)
<b>Profit Before Tax</b>		<b>582</b>	<b>241</b>
Income tax expense		-	-
<b>Profit After Tax</b>		<b>582</b>	<b>241</b>
<b>Other Comprehensive Income</b>			
<i>Items that will be reclassified to profit or loss</i>			
Unrealised gain on revaluation of assets	1	1,222	2,393
<b>Total Comprehensive Income For the Period</b>		<b>1,804</b>	<b>2,634</b>
<b>Profit Attributable To:</b>			
Owners of the Group		387	106
Non-controlling interest		195	135
		<b>582</b>	<b>241</b>
<b>Total Comprehensive Income Attributable To:</b>			
Owners of the Group		1,541	2,499
Non-controlling interest		263	135
		<b>1,804</b>	<b>2,634</b>

The accompanying notes form part of these consolidated financial statements.



**Consolidated Statement of Financial Position**

**As at 31 December 2014**

	Note	December 2014 \$'000	June 2014 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		598	181
Trade and other receivables		40	32
Other financial assets	2	12,176	10,968
<b>Total Current Assets</b>		<u>12,814</u>	<u>11,181</u>
<b>Non-current Assets</b>			
Investment properties	3	31,600	31,600
<b>Total Non-current Assets</b>		<u>31,600</u>	<u>31,600</u>
<b>TOTAL ASSETS</b>		<u><b>44,414</b></u>	<u><b>42,781</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		912	929
Current tax payable		55	55
Borrowings	4	17,725	17,725
<b>Total Current Liabilities</b>		<u>18,692</u>	<u>18,709</u>
<b>Non-current Liabilities</b>			
Other financial liabilities	5	6,500	6,485
<b>Total Non-current Liabilities</b>		<u>6,500</u>	<u>6,485</u>
<b>TOTAL LIABILITIES</b>		<u><b>25,192</b></u>	<u><b>25,194</b></u>
<b>NET ASSETS</b>		<u><b>19,222</b></u>	<u><b>17,587</b></u>
<b>EQUITY</b>			
Share capital	6	14,521	14,599
Retained earnings/(accumulated losses)		45	(342)
Reserves		3,211	2,057
<b>Parent Interest</b>		<u>17,777</u>	<u>16,314</u>
Non-controlling interest		1,445	1,273
<b>TOTAL EQUITY</b>		<u><b>19,222</b></u>	<u><b>17,587</b></u>

**Consolidated Statement of Changes in Equity**

**For the Half-year Ended 31 December 2014**

	Ordinary Shares \$'000	Retained Earnings/ (Accumulated Losses) \$'000	Asset Revaluation Reserves \$'000	Attributable to Owners of the Parent \$'000	Non- controlling Interest \$'000	Total \$'000
<b>Balance at 1 July 2014</b>	<b>14,599</b>	<b>(342)</b>	<b>2,057</b>	<b>16,314</b>	<b>1,273</b>	<b>17,587</b>
Profit for the period	-	387	-	387	195	582
Other comprehensive income	-	-	1,154	1,154	68	1,222
Cancellation of shares	(78)	-	-	(78)	-	(78)
Transactions with non-controlling interest	-	-	-	-	(91)	(91)
<b>Balance at 31 December 2014</b>	<b>14,521</b>	<b>45</b>	<b>3,211</b>	<b>17,777</b>	<b>1,445</b>	<b>19,222</b>
<b>Balance at 1 July 2013</b>	<b>15,276</b>	<b>(654)</b>	<b>195</b>	<b>14,817</b>	<b>175</b>	<b>14,992</b>
Profit for the period	-	106	-	106	135	241
Other comprehensive income	-	-	2,393	2,393	-	2,393
Cancellation of shares	(308)	-	-	(308)	-	(308)
Transactions with non-controlling interest	-	-	-	-	136	136
<b>Balance at 31 December 2013</b>	<b>14,968</b>	<b>(548)</b>	<b>2,588</b>	<b>17,008</b>	<b>446</b>	<b>17,454</b>





**Consolidated Statement of Cash Flows**

**For the Half-year Ended 31 December 2014**

	<b>December 2014</b>	<b>December 2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	1,874	1,721
Payments to suppliers and employees	(919)	(951)
Dividends and distributions received	283	23
Interest paid	(702)	(781)
Interest received	8	15
<b>Net Cash Flows From Operating Activities</b>	<b>544</b>	<b>27</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	26	424
Acquisition of investments	(250)	(602)
Net loans from/(to) related parties	252	(4)
<b>Net Cash Flows From / (Used in) Investing Activities</b>	<b>28</b>	<b>(182)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issue of preference shares	15	-
Return of capital	(92)	-
Repayment of borrowings	-	(350)
Share buy backs	(78)	-
<b>Net Cash Flows Used in Financing Activities</b>	<b>(155)</b>	<b>(350)</b>
<b>Net Increase / (Decrease) in Cash Held</b>	<b>417</b>	<b>(505)</b>
Cash and cash equivalents at the beginning of the year	181	703
<b>Cash and Cash Equivalents at End of the Period</b>	<b>598</b>	<b>198</b>

**Notes to the Financial Statements**

**For the Half-year Ended 31 December 2014**

**1. Unrealised gain on revaluation**

	<b>December 2014</b>	<b>December 2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Unrealised gain under profit or loss	-	207
Unrealised gain under other comprehensive income	1,222	2,393
	<b>1,222</b>	<b>2,600</b>
Represented as follows:		
- Revaluation of financial assets	1,022	2,393
- Revaluation of investment properties	200	207
	<b>1,222</b>	<b>2,600</b>

**2. Current Assets - Financial Assets**

	<b>Note</b>	<b>December 2014</b>	<b>June 2014</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>(a) Current Financial Assets</b>			
Financial assets	2(b)	11,515	10,059
Loans and receivables	2(c)	661	909
<b>Total</b>		<b>12,176</b>	<b>10,968</b>
<b>(b) Financial assets</b>			
Listed - BlackWall Property Trust		8,041	6,632
Listed - BlackWall Property Funds		665	670
Unlisted - BlackWall Opportunities Fund		406	595
Unlisted - Pelathon Pub Group (Ordinary)		1,923	1,762
Unlisted - Pelathon Pub Group (Preferred)		480	400
<b>Total</b>		<b>11,515</b>	<b>10,059</b>

The Group owns 13,333,333 Pelathon Pub Group Preferred units which are partly paid to 2.4 cents per unit. The second instalment of 3.6 cents per unit (\$480,000) may be called upon by October 2015. The carrying value is the fair value less the second instalment.

Pelorus has issued options over 2,650,000 BWF shares and 2,650,000 BWR units (post unit consolidation: 265,000 units), at a strike price of 25 cents and 12.8 cents (post unit consolidation: \$1.28), respectively. These options expire on 30 June 2015.

**(c) Loans and Receivables**

Loans - related parties	661	1,509
Provision for impairment	-	(600)
<b>Total</b>	<b>661</b>	<b>909</b>

**3. Non-current Assets - Investment Properties**

	<b>Penrith</b>	<b>The Woods</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>31 December 2014</b>			
Balance at the beginning of year	17,600	14,000	31,600
Revaluations	65	135	200
Depreciation	(65)	(135)	(200)
<b>Balance at the end of period</b>	<b>17,600</b>	<b>14,000</b>	<b>31,600</b>

**Notes to the Financial Statements**

**For the Half-year Ended 31 December 2014**

**30 June 2014**

Balance at the beginning of year	16,500	14,000	30,500
Capital improvements	480	-	480
Revaluations	756	278	1,034
Depreciation	(136)	(278)	(414)
<b>Balance at the end of year</b>	<b>17,600</b>	<b>14,000</b>	<b>31,600</b>

Refer to Borrowings note for details of borrowings secured against the properties.

The Penrith property is a big box retail complex located at 120 Mulgoa Road, Penrith, Sydney. The property was independently valued in December 2013 at \$16.5 million reflecting market yield of 9.5%. The Directors have adopted a yield of 9%, which equates to a value of \$17.6 million. Tenants include Toys R Us, Boating Camping Fishing, Barbeques Galore, a childcare operator and a restaurant.

The Woods Action Centre is an entertainment precinct in Villawood, Sydney. In October 2012, the property was independently valued at \$10 million using a 12% cap rate. To arrive at this, the property was compared to bulky goods retail centres, some of which have been sold in distressed circumstances. In our view this is not appropriate and ignores The Woods' unique tenancy mix. The Directors have adopted a yield of 9.75%, which equates to a value of \$14 million. It is the Directors' opinion that this value more accurately reflects the nature of the asset. Tenants include AMF Bowling, Sydney Indoor Climbing Gym and Chipmunks Play Centre.

**4. Current Liabilities - Borrowings**

	<b>Penrith</b>	<b>The Woods</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>31 December 2014</b>			
Borrowings	10,725	7,000	17,725
	<b>10,725</b>	<b>7,000</b>	<b>17,725</b>
<b>30 June 2014</b>			
Borrowings	10,725	7,000	17,725
	<b>10,725</b>	<b>7,000</b>	<b>17,725</b>

The Penrith and the Woods properties' borrowings are due for renewal in July 2015 and February 2015 respectively. Both borrowings are classified as current liabilities. Discussions have been had with the lender and the Directors are confident that the Woods borrowings will be extended. The Penrith and the Woods facilities are subject to a margin of 2.2% per annum (June 2014: 2.2% per annum) and 2.35% per annum (June 2014: 2.35% per annum) over BBSY, respectively.

During the period the Group has entered into one swap over the Woods property for \$7 million at 2.99% that will expire in December 2019. The interest rate swap of \$158,000 was not on the Group's balance sheet given the ability to hold these to maturity and their inclusion in interest expense going forward.

**Notes to the Financial Statements**

**For the Half-year Ended 31 December 2014**

**5. Non-current Liabilities – Other Financial Liabilities**

	<b>December 2014</b>	<b>June 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Preference Shares	2,000	1,985
BlackWall Penrith Fund No 3	4,500	4,500
<b>Total</b>	<b>6,500</b>	<b>6,485</b>

The Preference Shares are preferred equity securities issued by the Group to BWR, with a coupon of 10% per annum and share in any value increase in the Penrith property.

BlackWall Penrith Fund No. 3 is a hybrid property investment vehicle with a \$4,500,000 interest in the Penrith property secured by a second mortgage. The current interest rate is 9% per annum.

**6. Share Capital**

**(a) Summary Table**

	<b>December 2014</b>	<b>June 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
200,899,297 (June 2014: 202,481,427) Ordinary	14,521	14,599
<b>Total</b>	<b>14,521</b>	<b>14,599</b>

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

	<b>December 2014</b>	<b>June 2014</b>
	<b>No.</b>	<b>No.</b>
At the beginning of the year	202,481,427	218,051,256
Cancellation of shares	(1,582,130)	(15,569,829)
<b>At the end of the period</b>	<b>200,899,297</b>	<b>202,481,427</b>

During the period, the Company cancelled 1,582,130 (2014 full year: 15,569,829) ordinary shares. Total cost of \$78,000 (2014 full year: \$677,000) was deducted from ordinary shareholder equity.

**7. Commitments and Contingencies**

There are no material commitments and contingencies as at 31 December 2014.

**8. Subsequent Events**

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.

**9. 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

**Notes to the Financial Statements**

**For the Half-year Ended 31 December 2014**

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. The following table presents the Group's financial assets (exclude loan receivables and other financial assets) measured at fair value as at 31 December and 30 June. Refer to the Critical Accounting Estimates and Judgments note for further details of assumptions used and how fair values are measured.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>At 31 December 2014</b>				
Financial assets	8,043	-	3,472	11,515
<b>At 30 June 2014</b>				
Financial assets	7,302	-	2,757	10,059

**(b) 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.

**(c) Fair value measurements using significant observable inputs (Level 3)**

The following table is a reconciliation of the movements in financial assets classified as Level 3 for the periods ended 31 December and 30 June:

	\$'000
<b>At 31 December 2014</b>	
Balance at the beginning of year	2,757
Purchase	174
Transfer *	663
Return of capital	(289)
Fair value movement	167
Balance at the end of period	<u>3,472</u>
<b>At 30 June 2014</b>	
Balance at the beginning of year	2,971
Purchase	320
Sale	(345)
Fair value movement	(189)
Balance at the end of year	<u>2,757</u>

\* Transfer from level 1 to level 3 during the period for options issued on BWF shares carried at exercise price.



## Notes to the Financial Statements

### For the Half-year Ended 31 December 2014

#### 10. Segment Reporting

The Group currently operates in one business segment being leasing of retail properties in New South Wales.

#### 11. Group Details

The principal place of business of the Group is:  
Level 1, 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.

##### *Key estimates – financial assets*

Investments in listed and unlisted securities have been classified as financial assets and movements in fair value are recognised directly in 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 Australian Securities Exchange 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 the resolution of the directors on the date they were issued.

##### **Basis of Preparation**

The financial statements are general purpose financial reports which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the International Financial Reporting Standard IAS 34 *Interim Financial Reporting*, except for the following standards:

## **Notes to the Financial Statements**

### **For the Half-year Ended 31 December 2014**

*AASB 9 Financial Instruments*

*AASB 101 Presentation of Financial Statements*

*AASB 139 Financial Instruments Recognition and Measurement (fair value 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 a more commercial and true results to the users of these financial statements. Refer to Independent Auditor's Report relating to quantitative impact should these Standards be adopted.

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.

The Group is a group of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies adopted are consistent with those of the previous financial year 30 June 2014.

### **New and amended standards adopted by the Group**

The Group has applied the following standards and amendments for the first time for these financial statements:

*AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities*

In August 2013, the AASB made amendments to the above standard which exempt investment entities from consolidating controlled investees. The amendments applied to the Group from 1 July 2014. The Group has assessed the investment entities definition and exemption, and concluded that the amendments do not have a significant impact on its composition.

### **Going Concern**

The Group has a Current Asset deficiency as at 31 December 2014 due to borrowings being classified as a current liability that is due within the next 12 months. The Directors are confident that the borrowings will be renewed when due.

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**

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.



## **Notes to the Financial Statements**

### **For the Half-year Ended 31 December 2014**

*AASB 9 Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2018)*

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The impact to the Group shall not be material. The Group has not yet decided when to adopt.



**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 2014 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.



Seph Glew  
Chairman  
Sydney, 12 March 2015



## Independent Review Report to the Investors of Pelorus Private Equity Limited and Controlled Entities

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Pelorus Private Equity Limited and Controlled Entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, 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 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pelorus Private Equity Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

### **Independence**

In conducting our review, 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 Pelorus Private Equity Limited and Controlled Entities, would be in the same terms if given to the Directors as at the time of this auditor's report.

### **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 value of investments, valued at price other than the market price
- recognition of the fair value of swap derivatives
- recognition of changes in fair values of investment properties



## Independent Review Report to the Investors of Pelorus Private Equity Limited and Consolidated Entities

For the half-year ended 31 December 2014 the financial impact of these departures is that profit before tax is understated by:

	December 2014	June 2014
	\$	\$
Held for trading financial assets	1,021,816	978,559
Investment properties	199,705	617,268
Movement in fair value of interest rate swap	(149,572)	(8,572)
Total	1,071,949	1,587,255

Other comprehensive income is therefore overstated by \$1,071,949 (2014: \$1,587,255), however the total comprehensive income remains unchanged. The departure has resulted in the fair value of these assets presented in the Statement of Financial Position at the reporting date to be understated by \$159,000 and the total liability to be understated by \$158,144 (2014: \$8,572).

- AASB 139 *Financial Instruments: Recognition and Measurement* mandates that the changes in the fair value of held for trading financial assets be recognised through the profit or loss, and AASB 9 *Financial Instruments* stipulates that the initial election by management to designate the financial assets at fair value through profit or loss is irrevocable.
- AASB 13 *Fair Value Measurement* requires the asset to be valued at a price that would be received to sell an asset in an orderly transaction between market participants at the measurement date and a financial liability to be valued at a price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The shares in the Blackwall Property Funds Limited are valued at the strike price of 25 cents (refer to Note 2 in the financial statement) in accordance with the options issued to the Directors and senior executives rather than the ASX listed price of 31 cents.
- The mark to market valuations of interest rate swaps maturing on 3 December 2019 has not been recognised.
- 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.

### Qualified Audit Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial report of Pelorus Private Equity Limited and its Controlled Entities is in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

Dated at Sydney the 13<sup>th</sup> day of March 2015

ESV Accounting and Business Advisors

Tim Valtwies  
Partner

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**GLOSSARY**

ASX	Australian Securities Exchange
BlackWall / BWF	BlackWall Property Funds Limited
BWR	BlackWall Property Trust
Company	Pelorus Private Equity Limited
Interim consolidated financial statements	Financial statements
FVTPL	Fair value through profit and loss
Group or Pelorus	Pelorus Private Equity Limited & subsidiaries
GST	Goods and Services Tax
IFRS	International Financial Reporting Standards