



Interim Consolidated Financial Statements

Half-year Ended 31 December 2016

Pelorus Private Equity Limited

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Directors' Report

Principal Activities and Significant Changes in Affairs

Pelorus is an unlisted public investment company. Its major investment is in two big box lifestyle properties located in Penrith and Villawood in NSW. In addition the company is a significant investor in the ASX listed BlackWall Property Trust (ASX Code: BWR). Pelorus also periodically takes small positions in start up businesses. At the date of this report, the Company has \$300,000 invested in such ventures. The Company has 176,452,513 shares on issue.

BlackWall Property Trust (ASX Code: BWR)

Pelorus holds a substantial investment in BlackWall Property Trust, an ASX-listed real estate investment trust managed by BlackWall. As at February 2017, the Trust had \$153 million of gross assets and net tangible assets of \$82 million or \$1.27 per unit. The Trust has 66.6 million units on issue, of which 17% is held by Pelorus.

In late 2016, BWR announced a \$12 million capital raising and the sale of a small industrial asset in South East Queensland on a passing yield of 6.35% (\$3.6 million).

BWR has successfully placed all units under the capital raising and, along with the proceeds of the asset sale, has reallocated that capital through the following investments:

- exercised and completed an option arrangement to acquire 4.32 million of its own units at \$1.05 per unit (\$4.5 million);
- participated in a rights issue in a property joint venture (PBT) controlling 55 Pymont Bridge Road, taking up just over \$3.5 million in that offer;
- acquired additional interests in PBT bringing BWR's holding to \$7.6 million or 27%;
- increasing its investment by \$2.5 million in a property joint venture controlling the Woods Action Centre, taking BWR's control of the project to 45%.

Woods PIPES Fund

Pelorus holds approximately 22% of the Woods PIPES Fund, representing an investment of \$1.1 million at the latest published NTA valuation.

The Woods PIPES Fund has an interest in the Woods Action Centre, a family entertainment centre in Western Sydney. The leasing position at the property is set out below. It is noted that Kartatak vacated its tenancy in December 2016 and BlackWall is seeking a new operator to take over that tenancy.

Tenant	Commencement	Tenancy (sqm)	Lease Expiry
AMF	Jul 2008	3,857	Jun 2018
Climbing Gym	Mar 2010	1,235	Mar 2020
Chipmunks	Oct 2013	1,040	Dec 2018
JUMP Swim Schools	Mar 2016	314	Mar 2022
Crossfit Bawn	Jun 2016	236	Jun 2019
The Woods Café	Apr 2016	181	Apr 2021
Parramatta Glass	Aug 2016	150	Aug 2019

The investment in Woods PIPES Fund generates quarterly income distributions of 8% per annum with a share of growth in the value of the property over the seven-year term.

120 Mulgoa Road, Penrith

Pelorus holds a total, look through interest of 40% in the big box retail property at 120 Mulgoa Road, Penrith, in Western Sydney. No change has occurred to the tenant mix at the property, with Toys'R'Us

and Barbeques Galore exercising their options to renew their respective leases subsequent to 30 June 2016.

Private Equity Investments

As its name suggests, Pelorus regularly seeks opportunities to invest in private equity ventures with excellent growth potential. The Company currently has \$300,000 invested in such ventures. During the period, Pelorus invested \$100,000 in Sportility Pty Ltd, a sporting apparel business.

Pelathon Pub Group

Pelorus has a small investment in Pelathon Pub Group, a small unlisted fund invested in three hotels in regional New South Wales. During the period, Pelorus subscribed for an additional 1.3 million Pelathon Pub Group units under the Pelathon Pub Group's Rights Issue offer in September 2016.

Dividends

There were no dividends paid or declared for the period ended 31 December 2016 (2015: \$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.

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)
Robin Tedder (Non-executive Director)
Stuart Brown (Non-executive Director and Chief Executive Officer)
Tim Brown (Company Secretary from 23 September 2016)
Caroline Raw (Company Secretary until 23 September 2016)

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 2016/191, 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, 20 March 2017



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 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Dated at Sydney the 17th day of March 2017

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

ESV Accounting and Business Advisors

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

Tim Valtwies
Partner

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-year Ended 31 December 2016

	Note	December 2016 \$'000	December 2015 \$'000
Property rental income		1,821	1,768
Investment income		79	106
Gain on disposal of assets		10	188
Fund and asset management income		-	17
Total Revenue		1,910	2,079
Business operating expenses		(304)	(304)
Depreciation expenses		(280)	(219)
Property outgoings		(518)	(430)
Finance costs		(779)	(874)
Other expenses		-	(1)
Profit Before Tax		29	251
Income tax expense		-	-
Profit After Tax		29	251
Other Comprehensive Income			
<i>Items that will be reclassified to profit or loss</i>			
Unrealised gain on revaluation, net of tax	1	934	263
Total Comprehensive Income For the Period		963	514
Profit / (Loss) Attributable To:			
Owners of the Group		36	254
Outside equity interests		(7)	(3)
		29	251
Total Comprehensive Income / (Loss) Attributable To:			
Owners of the Group		1,061	450
Outside equity interests		(98)	64
		963	514

The accompanying notes form part of these consolidated financial statements.



Consolidated Statement of Financial Position

As at 31 December 2016

	Note	December 2016 \$'000	June 2016 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		1,652	2,697
Trade and other receivables		13	104
Financial assets	2	15,899	13,225
Total Current Assets		<u>17,564</u>	<u>16,026</u>
Non-current Assets			
Investment properties	3	34,100	34,100
Total Non-current Assets		<u>34,100</u>	<u>34,100</u>
TOTAL ASSETS		<u>51,664</u>	<u>50,126</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		535	419
Current tax payable		62	62
Total Current Liabilities		<u>597</u>	<u>481</u>
Non-current Liabilities			
Borrowings	4	17,725	17,725
Other financial liabilities	5	8,058	8,029
Deferred tax liabilities		2,030	1,600
Total Non-current Liabilities		<u>27,813</u>	<u>27,354</u>
TOTAL LIABILITIES		<u>28,410</u>	<u>27,835</u>
NET ASSETS		<u>23,254</u>	<u>22,291</u>
EQUITY			
Share capital		12,807	12,807
Retained earnings		987	951
Reserves		7,075	6,050
Parent Interest		<u>20,869</u>	<u>19,808</u>
Non-controlling interest		2,385	2,483
TOTAL EQUITY		<u>23,254</u>	<u>22,291</u>

Consolidated Statement of Changes in Equity

For the Half-year Ended 31 December 2016

	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
Balance at 1 July 2016	12,807	951	6,050	19,808	2,483	22,291
Profit	-	36	-	36	(7)	29
Other comprehensive income / (loss)	-	-	1,025	1,025	(91)	934
Balance at 31 December 2016	12,807	987	7,075	20,869	2,385	23,254
Restated balance at 1 July 2015	13,792	432	4,656	18,880	1,353	20,233
Profit	-	254	-	254	(3)	251
Other comprehensive income	-	-	197	197	67	264
Cancellation of shares	(57)	-	-	(57)	-	(57)
Transactions with outside equity interests	-	-	-	-	47	47
Restated balance at 31 December 2015	13,735	686	4,853	19,274	1,464	20,738



Consolidated Statement of Cash Flows

For the Half-year Ended 31 December 2016

	December 2016	December 2015
	\$'000	\$'000
Cash Flows From Operating Activities		
Receipts from customers	2,177	2,085
Payments to suppliers	(1,046)	(1,102)
Dividends and distributions received	65	96
Interest paid	(779)	(874)
Interest received	15	10
Net Cash Flows From Operating Activities	432	215
Cash Flows From Investing Activities		
Returns of capital received	406	543
Proceeds from sale of investments	24	1,527
Acquisition of investments	(1,357)	(230)
Payment for capital expenditures	(387)	-
Net loans with related parties	(163)	199
Net Cash Flows From / (Used in) Investing Activities	(1,477)	2,039
Cash Flows From Financing Activities		
Net proceeds / (repayment) of preference shares	-	(200)
WRV returns of capital	-	(51)
Net Cash Flows From / (Used in) Financing Activities	-	(251)
Net Increase / (Decrease) in Cash Held	(1,045)	2,003
Cash and cash equivalents at the beginning of the year	2,697	444
Cash and Cash Equivalents at End of the Period	1,652	2,447

Notes to the Financial Statements

For the Half-year Ended 31 December 2016

1. Unrealised gain on revaluation under comprehensive income

	December 2016 \$'000	December 2015 \$'000
Financial assets	1,471	1,274
Investment properties	(107)	219
Deferred tax on unrealised gain	(430)	(1,230)
	<u>934</u>	<u>263</u>

2. Current Assets - Financial Assets

	Note	December 2016 \$'000	June 2016 \$'000
(a) Financial Assets			
Financial assets	2(b)	15,350	12,837
Loans and receivables	2(c)	549	388
Total		<u>15,899</u>	<u>13,225</u>

(b) Financial Assets

Listed - BlackWall Property Trust	(i)	14,822	12,503
Listed - BlackWall Limited	(ii)	107	123
Unlisted - Pelathon Pub Group	(iii)	121	11
Unlisted - PrimaryMarkets		100	100
Unlisted - Tilt & Co		100	100
Unlisted - Sportility		100	-
Total		<u>15,350</u>	<u>12,837</u>

(i) BlackWall Property Trust (BWR)

BlackWall Property Trust is an ASX-listed real estate investment trust managed by BlackWall. As at 31 December 2016, Pelorus held 10.9 million (18%) BWR units (June 2016: \$9.9 million BWR units).

(ii) Blackwall Limited (BWF)

As at March 2017, Pelorus owned 5,000 BWF shares.

(iii) Pelathon Pub Group

During the period it has subscribed for an additional 1.3 million Pub Group units under the Pub Group's Rights Issue offer in September 2016.

(c) Loans and Receivables

	December 2016 \$'000	June 2016 \$'000
Loans - related parties	549	388
Total	<u>549</u>	<u>388</u>

Notes to the Financial Statements

For the Half-year Ended 31 December 2016

3. Non-current Assets - Investment Properties

	Penrith	The Woods	Total
	\$'000	\$'000	\$'000
31 December 2016			
Balance at the beginning of year	17,600	16,500	34,100
Capital improvements	-	387	387
Revaluations	72	(179)	(107)
Depreciation	(72)	(208)	(280)
Balance at the end of year	17,600	16,500	34,100
30 June 2016			
Balance at the beginning of year	17,600	14,000	31,600
Capital improvements	-	536	536
Revaluations	149	2,247	2,396
Depreciation	(149)	(283)	(432)
Balance at the end of year	17,600	16,500	34,100

Refer to the Borrowings and Other Financial Liabilities notes for details of borrowings secured against the properties.

The Penrith property is a big box retail complex located at 120 Mulgoa Road, Penrith. The property was independently valued in December 2013 at \$16.5 million reflecting market yield of 9.5%. The property is currently held on a yield of 9%, which equates to a value of \$17.6 million. The property is fully let with gross income of around \$1.9 million p.a. Tenants include Toys R Us, Boating Camping Fishing, Barbeques Galore, Little Learning School and Rashay's Pizza Pasta Grill.

The Woods Action Centre is an entertainment precinct in Villawood, Sydney. The property is held on a yield of 9%, which equates to a value of \$16.5 million. Major tenants include AMF Bowling, Sydney Indoor Climbing Gym and Chipmunks Play Centre.

4. Non-current Liabilities - Borrowings

	Penrith	The Woods	Total
	\$'000	\$'000	\$'000
31 December 2016			
Borrowings	10,725	7,000	17,725
	10,725	7,000	17,725
30 June 2016			
Borrowings	10,725	7,000	17,725
	10,725	7,000	17,725

The Penrith and the Woods properties' borrowings are due for renewal in August 2018 and May 2018 respectively. The Penrith and the Woods facilities are subject to a margin of 1.95% per annum (2016: 1.95% per annum) and 1.8% per annum (2016: 1.8% per annum) over BBSY, respectively.

There is one \$7 million swap over the Woods property at 2.99% p.a. that will expire in December 2019. The mark to market of the swap is 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 2016

5. Non-current Liabilities – Other Financial Liabilities

	December 2016	June 2016
	\$'000	\$'000
BlackWall Penrith Fund No 3	4,146	4,121
Woods PIPES Fund	3,912	3,908
Total	8,058	8,029

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.

Woods PIPES Fund is a hybrid property investment vehicle commenced in the 2016 financial year with a \$5,000,000 interest in the Woods property secured by a second mortgage. The current interest rate is 8% per annum.

6. 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 period 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.

7. 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).

The fair value of financial assets traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Group is the current bid price and the quoted market price for financial liabilities is the current asking price.

The following table presents the Group's financial assets (excluding loan receivables) measured at fair value. 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 2016				
Financial assets	14,929	-	421	15,350
At 30 June 2016				
Financial assets	12,626	-	211	12,837

Notes to the Financial Statements

For the Half-year Ended 31 December 2016

(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) Reconciliation of movements (Level 3)

The following table is a reconciliation of the movements in financial assets classified as Level 3:

	\$'000
At 31 December 2016	
Balance at the beginning of year	211
Purchase	174
Fair value movement	36
Balance at the end of year	<u>421</u>
At 30 June 2016	
Balance at the beginning of year	3,289
Purchase	200
Sale	(3,406)
Fair value movement	128
Balance at the end of year	<u>211</u>

8. Segment Reporting

The Group currently operates in one business segment being investment in direct and indirect properties in New South Wales.

9. Group Details

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

10. 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

Notes to the Financial Statements

For the Half-year Ended 31 December 2016

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.

11. Statement of Significant Accounting Policies

Pelorus Private Equity Ltd is a public company, incorporated and domiciled in Australia. The financial statements for the Group were authorised for issue in accordance with a resolution of the Directors on the date they were issued.

Basis of Preparation

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:

AASB 9 Financial Instruments

AASB 101 Presentation of Financial Statements

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

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 more commercial and true results to the users of these financial statements. Refer to the Independent Auditor's Review 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.

The Group is a group of the kind referred to in ASIC Class Order 2016/191, 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 2016.



Notes to the Financial Statements

For the Half-year Ended 31 December 2016

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

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.

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 AASB 9.

AASB 16 Leases (effective for annual reporting periods beginning or after 1 January 2019)

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard substantially carries forward the lessor accounting requirements in AASB 117 and required enhanced disclosure about the lessor's risk exposure. The Trust is currently assessing the impact of applying the new standard and does not expect a material impact from the application.

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 2016 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, 20 March 2017



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 2016, 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 internal 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 2016 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 the Group, 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 Controlled Entities

For the half-year ended 31 December 2016 the financial impact of these departures is that profit after tax is understated by:

	December 2016	June 2016
	\$	\$
Held for trading financial assets	1,471,613	1,735,411
Investment properties	(107,449)	2,395,664
Movement in fair value of interest rate swap	121,639	(160,136)
Net unrecognised deferred tax liability	(430,000)	(1,600,000)
Total	1,055,803	2,370,939

Other comprehensive income is therefore overstated by \$934,164 (June 2016: \$2,531,075), and the total comprehensive income is understated/(overstated) by \$121,639 (June 2016: (\$160,136)). The departure has resulted net assets presented in the Statement of Financial Position at the reporting date to be overstated by \$192,546 (June 2016: \$314,185)

- *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.
- The mark to market valuations of interest rate swaps maturing on 3 December 2019 has not been recognised
- *AASB140 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 the deferred tax assets and liabilities be recognised for all taxable temporary difference for assets carried forward at fair value.

Qualified Review Opinion

Based on our review, which is not an audit, except for the effects of the matters 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:

- giving a true and fair view of the Group's financial position as at 31 December 2016 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 20th day of March 2017

ESV Accounting and Business Advisors

Tim Valtwies
Partner



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GLOSSARY

ASX	Australian Securities Exchange
BlackWall / BWF	BlackWall 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
IFRS	International Financial Reporting Standards
p.a.	Per annum
Outside equity interests / OEI	Non-controlling interests