



## **Interim Consolidated Financial Statements**

Half-year Ended 31 December 2017

**Pelorus Private Equity Limited**

**ABN 45 091 209 639**

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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 \$150,000 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 December 2017, the Trust had \$260 million of gross assets and net tangible assets of \$94 million or \$1.41 per unit. The Trust has 66.6 million units on issue, of which 17% is held by Pelorus.

BWR is a total return property investment trust controlling assets of \$260 million. BlackWall, the Trust's manager, has a long and successful track record in turn-around and opportunistic property positions. In addition to stable income producing investments, BWR has and will continue to participate in investments of this type.

Like all REITS, BWR has benefitted from the rising tide of recent "bull property markets". However, historically BlackWall's (and BWR's) deal flow has increased and been more lucrative in times of financial distress.

#### *The Woods, Villawood*

The Woods is a family entertainment centre in Western Sydney, located at 850 Woodville Rd, Villawood. The AMF bowling centre which has just extended its lease for a further 5 years. Other tenants include Chipmunks Playcentre, Sydney Indoor Climbing Gym and Jump Swim School. A DA has also been submitted for a Skyzone trampoline centre.

Pelorus owns 49% of WRV unit Trust (the owner of the property).

#### *120 Mulgoa Road, Penrith*

Pelorus holds 100% 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 as the main tenants.

### **Dividends**

There were no dividends paid or declared for the period ended 31 December 2017 (2016: \$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)  
Sophie Gowland (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 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.

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

Seph Glew  
Chairman  
Sydney, 14 March 2018



**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 2017, 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 14<sup>th</sup> day of March 2018

**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 2017**

	Note	December 2017 \$'000	December 2016 \$'000
Property rental income		1,751	1,821
Investment income		55	79
Gain on disposal of assets		3	10
<b>Total Revenue</b>		<b>1,809</b>	<b>1,910</b>
Business operating expenses		(320)	(304)
Depreciation expenses		(306)	(280)
Property outgoings		(311)	(518)
Finance costs		(791)	(779)
Other expenses		(8)	-
<b>Profit Before Tax</b>		<b>73</b>	<b>29</b>
Income tax expense		-	-
<b>Profit After Tax</b>		<b>73</b>	<b>29</b>
<b>Other Comprehensive Income</b>			
<i>Items that will be reclassified to profit or loss</i>			
Unrealised gain on revaluation, net of tax	1	1,010	934
<b>Total Comprehensive Income For the Period</b>		<b>1,083</b>	<b>963</b>
<b>Profit / (Loss) Attributable To:</b>			
Owners of the Group		90	36
Outside equity interests		(17)	(7)
		<b>73</b>	<b>29</b>
<b>Total Comprehensive Income / (Loss) Attributable To:</b>			
Owners of the Group		994	1,061
Outside equity interests		89	(98)
		<b>1,083</b>	<b>963</b>

The accompanying notes form part of these consolidated financial statements.



**Consolidated Statement of Financial Position**

**As at 31 December 2017**

	Note	December 2017 \$'000	June 2017 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		137	301
Trade and other receivables		32	103
Financial assets	2	19,495	17,579
<b>Total Current Assets</b>		<b>19,664</b>	<b>17,983</b>
<b>Non-current Assets</b>			
Investment properties	3	41,500	41,500
<b>Total Non-current Assets</b>		<b>41,500</b>	<b>41,500</b>
<b>TOTAL ASSETS</b>		<b>61,164</b>	<b>59,483</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		372	631
Current tax payable		62	62
Borrowings	4	18,200	7,000
<b>Total Current Liabilities</b>		<b>18,634</b>	<b>7,693</b>
<b>Non-current Liabilities</b>			
Borrowings	4	-	10,725
Other financial liabilities	5	12,283	12,314
Deferred tax liabilities		3,582	3,169
<b>Total Non-current Liabilities</b>		<b>15,865</b>	<b>26,208</b>
<b>TOTAL LIABILITIES</b>		<b>34,499</b>	<b>33,901</b>
<b>NET ASSETS</b>		<b>26,665</b>	<b>25,582</b>
<b>EQUITY</b>			
Share capital		12,807	12,807
Retained earnings		2,713	2,622
Reserves		8,711	7,807
<b>Parent Interest</b>		<b>24,231</b>	<b>23,236</b>
Non-controlling interest		2,434	2,346
<b>TOTAL EQUITY</b>		<b>26,665</b>	<b>25,582</b>

Consolidated Statement of Changes in Equity

For the Half-year Ended 31 December 2017

	Ordinary Shares \$'000	Retained Earnings/ (Accumulate d Losses) \$'000	Asset Revaluation Reserves \$'000	Attributable to Owners of the Parent \$'000	Non- controlling Interest \$'000	Total \$'000
<b>Balance at 1 July 2017</b>	<b>12,807</b>	<b>2,622</b>	<b>7,807</b>	<b>23,236</b>	<b>2,346</b>	<b>25,582</b>
Profit	-	90	-	90	(17)	73
Other comprehensive income / (loss)	-	-	905	905	105	1,010
<b>Balance at 31 December 2017</b>	<b>12,807</b>	<b>2,712</b>	<b>8,712</b>	<b>24,231</b>	<b>2,434</b>	<b>26,665</b>
<b>Balance at 1 July 2016</b>	<b>12,807</b>	<b>951</b>	<b>6,050</b>	<b>19,808</b>	<b>2,483</b>	<b>22,291</b>
Profit	-	36	-	36	(7)	29
Other comprehensive income / (loss)	-	-	1,025	1,025	(91)	934
<b>Balance at 31 December 2016</b>	<b>12,807</b>	<b>987</b>	<b>7,075</b>	<b>20,869</b>	<b>2,385</b>	<b>23,254</b>





## Consolidated Statement of Cash Flows

For the Half-year Ended 31 December 2017

	December 2017 \$'000	December 2016 \$'000
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	1,924	2,177
Payments to suppliers	(999)	(1,046)
Dividends and distributions received	32	65
Interest paid	(791)	(779)
Interest received	23	15
<b>Net Cash Flows From Operating Activities</b>	<b>189</b>	<b>432</b>
<b>Cash Flows From Investing Activities</b>		
Returns of capital received	536	406
Proceeds from sale of investments	88	24
Acquisition of investments	(1,740)	(1,357)
Payment for capital expenditures	(63)	(387)
Net loans with related parties	351	(163)
<b>Net Cash Flows From / (Used in) Investing Activities</b>	<b>(828)</b>	<b>(1,477)</b>
<b>Cash Flows From Financing Activities</b>		
Net loans with related parties	475	-
<b>Net Cash Flows From / (Used in) Financing Activities</b>	<b>475</b>	<b>-</b>
<b>Net Increase / (Decrease) in Cash Held</b>	<b>(164)</b>	<b>(1,045)</b>
Cash and cash equivalents at the beginning of the year	301	2,697
<b>Cash and Cash Equivalents at End of the Period</b>	<b>137</b>	<b>1,652</b>

**Notes to the Financial Statements**

**For the Half-year Ended 31 December 2017**

**1. Unrealised gain on revaluation under comprehensive income**

	<b>December 2017</b>	<b>December 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Gain on financial assets	1,180	1,471
Gain/(Loss) on investment properties	243	(107)
Deferred tax on unrealised gain	(413)	(430)
	<b>1,010</b>	<b>934</b>

**2. Current Assets - Financial Assets**

	<b>Note</b>	<b>December 2017</b>	<b>June 2017</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>(a) Financial Assets</b>			
Financial assets	2(b)	19,011	16,744
Loans and receivables	2(c)	484	835
<b>Total</b>		<b>19,495</b>	<b>17,579</b>
<b>(b) Financial Assets</b>			
Listed - BlackWall Property Trust	(i)	12,741	10,628
Unlisted - Kirela-C		3,206	3,206
Unlisted - Pelorus Private Equity		2,630	2,583
Unlisted - Tilt & Co		50	50
Unlisted - Primary Market		50	50
Unlisted - Sportility		50	50
Unlisted - Pelathon Pub Group		284	177
<b>Total</b>		<b>19,011</b>	<b>16,744</b>

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

BlackWall Property Trust is an ASX-listed real estate investment trust managed by BlackWall. As at 31 December 2017, Pelorus held 9.3 million (14%) BWR units (June 2017: 8.2 million BWR units).

**(ii) Pelorus Private Equity (PPE)**

A significant investor in PPE disposed of their holding prior to June 2017. To facilitate this transaction a member in the Group agreed to acquire those shares, and hold them on a short term basis until a new investor in PPE is found. At year end Planloc thus holds 21.3 million PPE shares (June 2017: 20.8 million). This represents 12% of PPE share capital (June 2017: 12%).

**(c) Loans and Receivables**

	<b>December 2017</b>	<b>June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Loans - related parties	484	835
<b>Total</b>	<b>484</b>	<b>835</b>

## Notes to the Financial Statements

For the Half-year Ended 31 December 2017

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

	Penrith \$'000	The Woods \$'000	Total \$'000
<b>31 December 2017</b>			
Balance at the beginning of year	25,000	16,500	41,500
Capital improvements	51	12	48
Revaluations	34	209	258
Depreciation	(85)	(221)	(306)
<b>Balance at the end of year</b>	<b>25,000</b>	<b>16,500</b>	<b>41,500</b>
<b>30 June 2017</b>			
Balance at the beginning of year	17,600	16,500	34,100
Capital improvements	131	438	569
Revaluations	7,415	1	7,416
Depreciation	(146)	(439)	(585)
<b>Balance at the end of year</b>	<b>25,000</b>	<b>16,500</b>	<b>41,500</b>

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 June 2017 at \$25.0 million reflecting market yield of 6.6%. The property is fully let with gross income of around \$2.0 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. Current and Non-current Liabilities - Borrowings

	Penrith \$'000	The Woods \$'000	Kirela \$'000	Total \$'000
<b>31 December 2017</b>				
Borrowings (current)	10,725	7,000	475	18,200
	<b>10,725</b>	<b>7,000</b>	<b>475</b>	<b>18,200</b>
<b>30 June 2017</b>				
Borrowings (current)	-	7,000	-	7,000
Borrowings (non-current)	10,725	-	-	10,725
	<b>10,725</b>	<b>7,000</b>	<b>-</b>	<b>17,725</b>

The Penrith property borrowings are due for renewal in August 2018. The Penrith facility is subject to a margin of 1.95% per annum (2017: 1.95% per annum) over BBSY.

The Woods property borrowings are due for renewal in May 2018. The Woods facility is subject to a margin of 1.65% per annum (2016: 1.66% per annum) over BBSY.



## Notes to the Financial Statements

### For the Half-year Ended 31 December 2017

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.

The loan from Kirela is interest bearing, unsecured and is repayable on demand.

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

	December 2017	June 2017
	\$'000	\$'000
Mortgage Loan to Penrith Fund No 3	4,500	4,500
Mortgage Loan to Woods PIPES Fund	5,000	5,000
Provision for Planloc Performance Fee due to Penrith Fund No 3	1,700	1,700
Provision for Planloc Performance Fee due to Blackwall	2,550	2,550
	<hr/> 13,750	<hr/> 13,750
Less: Investment in Penrith Fund No 3	(384)	(353)
Less: Investment in Woods PIPES Fund	(1,083)	(1,083)
<b>Total</b>	<hr/> <b>12,283</b>	<hr/> <b>12,314</b>

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.

The Penrith property was independently valued in June 2017 at \$25 million, representing an unrealised capital gain of \$8.5 million above the initial property valuation of \$16.5 million. Upon termination of the fund in 2021 the capital gain is to be distributed to various parties, with \$1.7 million (20%) due to Penrith Fund No 3, \$2.55 million (30%) due to BlackWall as the Responsible Entity, and the balance due to the property owner.

Woods PIPES Fund is a hybrid property investment vehicle with a \$5,000,000 interest in the Woods property secured by a second mortgage. The current interest rate is 8% per annum. The fund is due to terminate in 2022.

#### 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

## Notes to the Financial Statements

### For the Half-year Ended 31 December 2017

- 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 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>At 31 December 2017</b>				
Financial assets	12,741	-	6,270	19,011
<b>At 30 June 2017</b>				
Financial assets	10,628	-	6,116	16,744

#### (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)

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

	\$'000
<b>At 31 December 2017</b>	
Balance at the beginning of year	6,116
Purchase	147
Sale	(40)
Return of capital	(5)
Fair value movement	52
Balance at the end of year	<u>6,270</u>
<b>At 30 June 2017</b>	
Balance at the beginning of year	211
Purchase	4,993
Sale	(150)
Return of capital	(5)
Fair value movement	1,067
Balance at the end of year	<u>6,116</u>



## Notes to the Financial Statements

For the Half-year Ended 31 December 2017

### 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:  
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*

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





## Notes to the Financial Statements

### For the Half-year Ended 31 December 2017

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 2017.

#### **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



**Notes to the Financial Statements**

**For the Half-year Ended 31 December 2017**

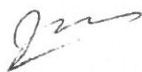
and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The impact to the Group shall not be material. The Group has not yet decided when to adopt AASB 9.

**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 2017 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, 14 March 2018



## **Independent Review Report to the Members of Pelorus Private Equity Limited and its Consolidated 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 2017, 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 2017 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*.

### **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 Members of Pelorus Private Equity Limited and its Consolidated Entities

For the half-year ended 31 December 2017 the financial impact of these departures is that profit after tax is understated by:

	December 2017	June 2017
	\$	\$
Held for trading financial assets	1,179,913	160,502
Investment properties	243,133	3,165,289
Movement in fair value of interest rate swap	37,564	133,279
Net unrecognised deferred tax liability	(441,000)	(1,569,000)
Total	1,019,610	1,890,070

Other comprehensive income is therefore overstated by \$982,046 (June 2017: \$1,758,000), and the total comprehensive income is understated by \$37,564 (June 2017: \$133,279). The departure has resulted net assets presented in the Statement of Financial Position at the reporting date to be overstated by \$143,342 (June 2017: \$180,906)

- 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 2017 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 14<sup>th</sup> day of March 2018

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