



Interim Consolidated Financial Statements

Half-year Ended 31 December 2015

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 had 185,833,386 shares on issue at 31 December 2015 (June 2015: 186,307,581 shares).

BlackWall Property Trust

The Group's largest property securities investment is in BlackWall Property Trust (ASX: BWR). BlackWall Property Trust is an ASX-listed real estate investment trust (ASX: BWR) with commercial, retail and industrial property interests. The Trust's investment income producing real estate is located in Queensland, New South Wales and the ACT. In some cases the Trust's interest is by way of joint venture ownership in unlisted property vehicles controlled by BlackWall including a \$20 million interest the Bakehouse Quarter. An interim distribution of 6 cents per unit was declared with a payment date of 6 April 2016. For further details on BWR, please refer to the half-year accounts released to the market on 23 February 2016 at www.asx.com.au.

120 Mulgoa Rd Penrith

120 Mulgoa Road, Penrith is a fully let big box retail complex. Tenants include Toys R Us, Boating Camping Fishing, Barbeques Galore, Little Learning School and Rashay's Pizza Pasta Grill. BlackWall Penrith Fund No. 3 is the third PIPES structure over this property. The Penrith Fund is paying a 9% per annum preferred interest payment and gives investors a share of capital growth at the end of the seven-year term.

The Woods Action Centre

The Woods Action Centre is a family entertainment centre in Sydney's West. The property is leased to tenants in the family entertainment industry including AMF Bowling, Sydney Indoor Climbing Gym, Kartatak and Chipmunks Playland. Development is underway to expand the offer to include a children's swim centre, circuit training gym, café and pizza restaurant. The Woods PIPES Fund is a PIPES syndicate structured over the property which offers returns of 8% per annum.

BlackWall Opportunities Fund

During the reporting period, the Company accepted an offer made to all unitholders in BlackWall Opportunities Fund to exchange those units for units in the ASX-listed BlackWall Property Trust.

Dividends

There were no dividends paid or declared for the period ended 31 December 2015 (2014: \$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)
Caroline Raw (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 98/100, 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, 14 March 2016



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 2015, 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 14th day of March 2016

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 2015

	Note	December 2015 \$'000	December 2014 \$'000
Property rental income		1,768	1,661
Fund and asset management income		17	-
Investment income		106	44
Gain on disposal of assets		188	36
Total Revenue		2,079	1,741
Business operating expenses		(304)	(264)
Depreciation expenses		(219)	(200)
Property outgoings		(430)	(193)
Finance costs		(874)	(749)
Other expenses		(1)	-
Profit Before Tax		251	335
Income tax expense		-	-
Profit After Tax		251	335
Other Comprehensive Income			
<i>Items that will be reclassified to profit or loss</i>			
Unrealised gain on revaluation of assets (net of tax)	1	263	1,469
Total Comprehensive Income For the Period		514	1,804
Profit / (Loss) Attributable To:			
Owners of the Group		254	140
Outside equity interests		(3)	195
		251	335
Total Comprehensive Income Attributable To:			
Owners of the Group		450	1,541
Outside equity interests		64	263
		514	1,804

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	December 2015 \$'000	June 2015 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		2,447	444
Trade and other receivables		286	135
Financial assets	2	14,020	13,044
Total Current Assets		16,753	13,623
Non-current Assets			
Investment properties	3	31,600	31,600
Total Non-current Assets		31,600	31,600
TOTAL ASSETS		48,353	45,223
LIABILITIES			
Current Liabilities			
Trade and other payables		447	682
Current tax payable		62	62
Borrowings	4	-	10,725
Total Current Liabilities		509	11,469
Non-current Liabilities			
Borrowings	4	17,725	7,000
Other financial liabilities	5	8,130	6,500
Deferred tax liabilities		1,230	-
Total Non-current Liabilities		27,085	13,500
TOTAL LIABILITIES		27,594	24,969
NET ASSETS		20,759	20,254
EQUITY			
Share capital	6	13,735	13,792
Retained earnings/(accumulated losses)		686	432
Reserves		4,874	4,677
Parent Interest		19,295	18,901
Non-controlling interest		1,464	1,353
TOTAL EQUITY		20,759	20,254

Consolidated Statement of Changes in Equity

For the Half-year Ended 31 December 2015

	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 2015	13,792	432	4,677	18,901	1,353	20,254
Profit / (loss) for the period	-	254	-	254	(3)	251
Other comprehensive income	-	-	197	197	67	264
Cancellation of shares	(57)	-	-	(57)	-	(57)
Transactions with outside equity interests	-	-	-	-	47	47
Balance at 31 December 2015	13,735	686	4,874	19,295	1,464	20,759
Balance at 1 July 2014	14,599	(342)	2,057	16,314	1,273	17,587
Profit for the period	-	140	-	140	195	335
Other comprehensive income	-	-	1,401	1,401	68	1,469
Cancellation of shares	(78)	-	-	(78)	-	(78)
Transactions with outside equity interests	-	-	-	-	(91)	(91)
Balance at 31 December 2014	14,521	(202)	3,458	17,777	1,445	19,222



Consolidated Statement of Cash Flows

For the Half-year ended 31 December 2015

	December 2015 \$'000	December 2014 \$'000
Cash Flows From Operating Activities		
Receipts from tenants	2,085	1,874
Payments to suppliers	(1,102)	(919)
Dividends and distributions received	96	34
Interest paid	(874)	(702)
Interest received	10	8
Net Cash Flows From Operating Activities	215	295
Cash Flows From Investing Activities		
Proceeds from sale of investments	1,527	26
Returns of capital received	543	249
Acquisition of investments	(230)	(250)
Net proceeds of loans with related parties	199	252
Net Cash Flows From Investing Activities	2,039	277
Cash Flows From Financing Activities		
Net proceeds / (repayment) of preference shares	(200)	15
WRV returns of capital	(51)	(92)
Share buy backs	-	(78)
Net Cash Flows Used in Financing Activities	(251)	(155)
Net Increase in Cash Held	2,003	417
Cash and cash equivalents at the beginning of the year	444	181
Cash and Cash Equivalents at End of the Period	2,447	598

Notes to the Financial Statements

For the Half-year Ended 31 December 2015

1. Unrealised gain on revaluation

	December 2015	December 2014
	\$'000	\$'000
Financial assets	1,274	1,269
Investment properties	219	200
Deferred tax on unrealised gain	(1,230)	-
Total	263	1,469

2. Current Assets – Financial Assets

	Note	December 2015	June 2015
		\$'000	\$'000
Financial assets	2(a)	13,605	12,354
Loans and receivables	2(b)	415	690
Total		14,020	13,044

(a) Financial Assets

Unlisted - Pelathon Pub Group	(i)	3,243	2,883
Listed - BlackWall Property Trust	(ii)	10,076	8,997
Listed - BlackWall Property Funds		86	68
Unlisted – Tilt & Co		100	-
Unlisted – Primary Market		100	-
Unlisted – BlackWall Opportunities Fund	(iii)	-	406
Total		13,605	12,354

(i) Pelathon Pub Group

Pelorus holds a legacy investment in a small pub investment fund. The Directors have determined that this investment is non-core and resolved to exit the position over the next 12 months.

	December 2015	June 2015
	\$'000	\$'000
26,704,601 Ordinary Units	2,163	1,923
13,333,333 Preferred Units	1,080	960
Total	3,243	2,883

(ii) BlackWall Property Trust (BWR)

BlackWall Property Trust is an ASX-listed real estate investment trust managed by BlackWall. Pelorus holds 16% of BWR units.

(iii) BlackWall Opportunities Fund (BOF)

In October 2015, BlackWall Opportunities Fund provided a swap offer to its unitholders of 15.5 BOF units for every BWR unit held. The Group has taken up this offer resulting in an additional 291,523 BWR units

Notes to the Financial Statements

For the Half-year Ended 31 December 2015

(b) Loans and Receivables	December 2015	June 2015
	\$'000	\$'000
Loans - related parties	415	690
Total	415	690

3. Non-current Assets - Investment Properties

	Penrith	The Woods	Total
	\$'000	\$'000	\$'000
31 December 2015			
Balance at the beginning of year	17,600	14,000	31,600
Revaluations	87	132	219
Depreciation	(87)	(132)	(219)
Balance at the end of year	17,600	14,000	31,600
30 June 2015			
Balance at the beginning of year	17,600	14,000	31,600
Capital improvements	1	7	8
Revaluations	155	263	418
Depreciation	(156)	(270)	(426)
Balance at the end of year	17,600	14,000	31,600

Refer to the 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. 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. The property is fully let with gross income of around \$2 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 a family entertainment centre in Sydney's West. The property has complementary entertainment uses and is leased to AMF Bowling, Sydney Indoor Climbing Gym, Kartatak and Chipmunks Playland. Development is underway to expand the offer to include a children's swim centre, circuit training gym, café and pizza restaurant. The property was independently valued at \$14 million using a 10% cap rate in March 2015. BlackWall has launched a new investment fund known as Woods PIPES Fund in 2015, secured against the property. Further details can be found in Other Financial Liabilities note.

4. Current and Non-current Liabilities - Borrowings

	Penrith	The Woods	Total
	\$'000	\$'000	\$'000
31 December 2015			
Borrowings - non-current	10,725	7,000	17,725
	10,725	7,000	17,725
30 June 2015			
Borrowings - current	10,725	-	10,725
Borrowings - non-current	-	7,000	7,000
	10,725	7,000	17,725

Notes to the Financial Statements

For the Half-year Ended 31 December 2015

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 (June 2015: 1.95% per annum) and 1.8% per annum (June 2015: 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 swap was not on the Group's balance sheet given the ability to hold these to maturity and their inclusion in interest expense going forward.

5. Non-current Liabilities – Other Financial Liabilities

	December 2015	June 2015
	\$'000	\$'000
BlackWall Penrith Fund No 3	4,500	4,500
Woods PIPES Fund	3,630	100
Preference Shares	-	1,900
Total	8,130	6,500

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.

BlackWall has launched a new investment fund known as Woods PIPES Fund. Woods PIPES Fund is a hybrid property investment vehicle that commenced in the 2015 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. Investors are offered the opportunity to invest in the Woods Action Centre in Villawood. At as date of signing these financial statements, investors have subscribed for a further 200,000 units in Woods PIPES Fund.

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. During the period, PIPES 5 (a wholly owned subsidiary of the Group) purchased the liability.

6. Share Capital

(a) Summary Table

	December 2015	June 2015
	\$'000	\$'000
185,833,386 (June 2015: 186,307,581) Ordinary	13,735	13,792
Total	13,735	13,792

(b) Movement in shares on issue

	December 2015	June 2015
	No.	No.
At the beginning of the year	186,307,581	202,481,427
Cancellation of shares	(474,195)	(16,173,846)
At the end of the period	185,833,386	186,307,581

Notes to the Financial Statements

For the Half-year Ended 31 December 2015

During the period, the Company cancelled 474,195 ordinary shares. A total cost of \$57,000 was deducted from ordinary shareholder equity.

7. Contingencies

There are no material contingencies as at 31 December 2015.

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 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.

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 fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - inputs for the asset 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 balance
	\$'000	\$'000	\$'000	\$'000
At 31 December 2015				
Financial assets	10,162	-	3,443	13,605
At 30 June 2015				
Financial assets	9,065	-	3,289	12,354

(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.

Notes to the Financial Statements

For the Half-year Ended 31 December 2015

(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:

	\$'000
At 31 December 2015	
Balance at the beginning of year	3,289
Purchase	200
Sale proceeds	(174)
Fair value movement	128
Balance at the end of year	<u>3,443</u>
At 30 June 2015	
Balance at the beginning of year	2,757
Purchase	654
In-specie distribution received	(289)
Fair value movement	167
Balance at the end of year	<u>3,289</u>

10. Segment Reporting

The Group currently operates in one business segment being investment in direct and indirect 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. 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.

Notes to the Financial Statements

For the Half-year Ended 31 December 2015

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:

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 2015.

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.



Notes to the Financial Statements

For the Half-year Ended 31 December 2015

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

BWR distributions are brought on to the balance sheet by an adjustment in the carrying value of the relevant investment and then reflected in the comprehensive income as an unrealised gain (refer to Investment Income paragraph in June 2015 financial statements for more details). We have therefore adjusted 2014 comparatives by reallocating \$249,000 income from profit after tax to other comprehensive income. Total comprehensive income after tax remains the same.

New Accounting Standards and Interpretations

AASB 15 Revenue from Contracts with Customers (effective for annual reporting periods beginning on or after 1 January 2018)

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group is currently assessing the effects of applying the new standard on the financial statements and has not identified any material changes.

Rounding of Amounts

The Group is a group of the kind referred to in ASIC Class Order 98/100, 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.

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 2015 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 2016



INDEPENDENT REVIEW REPORT TO THE INVESTORS OF PELORUS 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 2015, 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 2015 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.



INDEPENDENT REVIEW REPORT TO THE INVESTORS OF PELORUS EQUITY LIMITED AND CONTROLLED ENTITIES

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

For the half-year ended 31 December 2015 the financial impact of these departures is that profit after tax is understated by:

	December 2015	June 2015
	\$	\$
Held for trading financial assets	1,273,938	2,100,507
Investment properties	218,744	418,713
Movement in fair value of interest rate swap	(214,881)	(154,049)
Net unrecognised deferred tax liability	-	(361,635)
Total	<u>1,277,801</u>	<u>2,003,536</u>

Other comprehensive income is therefore overstated by \$1,492,682 (2015: \$2,519,220), and the total comprehensive income is overstated by \$214,881 (2015: \$515,684). The departure has resulted in the fair value of these assets presented in the Statement of Financial Position at the reporting date to be overstated by \$214,881 (2015: \$515,684)

- *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:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Dated at Sydney the 15th day of March 2016

ESV

ESV Accounting and Business Advisors

Tim Valtwies
Partner

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GLOSSARY

ASX	Australian Securities Exchange
BlackWall / BWF	BlackWall Property Funds Limited
BOF	BlackWall Opportunities Fund
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
p.a.	Per annum
Outside equity interests / OEI	Non-controlling interests