

# **Interim Consolidated Financial Statements**

Half-year Ended 31 December 2018

**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 \$400,000 invested in such ventures. The company has 176,452,513 shares on issue and NTA of \$0.153 per share.

#### *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 2018, the Trust had \$279 million of gross assets and net tangible assets of \$102 million or \$1.53 per unit. The Trust has 66.6 million units on issue, of which 15% is held by Pelorus.

BWR is a total return property investment trust controlling assets of \$279 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, Cross Fit Bawn, The Woods Pantry and Jump Swim School. A trampoline centre, Flipout, has recently paid a deposit to secure the remaining space on the site on a 10 year lease.

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. Barbeques Galore is the main tenants and other tenants include Boating Camping Fishing, Little Learning School and Rashays. Toys R Us vacated their premises on August 2018 and letter of offer has been sent out to a few potential tenants to occupy this premises.

### Dividends

There were no dividends paid or declared for the period ended 31 December 2018 (2017: \$nil).

## Financial Statements

### Consolidated Statement of Financial Position

As at 31 December 2018

	Note	December 2018 \$'000	June 2018 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		174	74
Trade and other receivables		67	35
Financial assets		21,625	21,179
Loans	1	994	503
<b>Total Current Assets</b>		<b>22,860</b>	<b>21,791</b>
<b>Non-current Assets</b>			
Investment properties		44,250	44,250
Other Investment		34	25
<b>Total Non-current Assets</b>		<b>44,284</b>	<b>44,275</b>
<b>TOTAL ASSETS</b>		<b>67,144</b>	<b>66,066</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		662	505
Current tax payable		62	62
Borrowings - property		17,725	17,725
Borrowings – related parties		1,315	1,070
<b>Total Current Liabilities</b>		<b>19,764</b>	<b>19,362</b>
<b>Non-current Liabilities</b>			
Other financial liabilities	2	12,933	12,933
Deferred tax liabilities		4,537	4,405
<b>Total Non-current Liabilities</b>		<b>17,470</b>	<b>17,338</b>
<b>TOTAL LIABILITIES</b>		<b>37,234</b>	<b>36,700</b>
<b>NET ASSETS</b>		<b>29,910</b>	<b>29,366</b>
<b>EQUITY</b>			
Share capital		12,823	12,823
Retained earnings		2,947	3,195
Reserves		11,144	10,317
<b>Parent Interest</b>		<b>26,914</b>	<b>26,335</b>
Non-controlling interest		2,996	3,031
<b>TOTAL EQUITY</b>		<b>29,910</b>	<b>29,366</b>

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

For the Half-year Ended 31 December 2018

	Note	December 2018 \$'000	December 2017 \$'000
Property rental income		1,367	1,751
Investment income		63	55
Gain on disposal of assets		11	3
<b>Total Revenue</b>		<b>1,441</b>	<b>1,809</b>
Financing costs		(750)	(320)
Business operating expenses		(294)	(306)
Depreciation expenses		(296)	(311)
Property outgoings		(395)	(791)
Other expenses		(9)	(8)
<b>Total Expenses</b>		<b>(1,744)</b>	<b>(1,736)</b>
<b>(Loss)/ Profit Before Tax</b>		<b>(303)</b>	<b>73</b>
Income tax expense		-	-
<b>(Loss)/ Profit After Tax</b>		<b>(303)</b>	<b>73</b>
<b>Other Comprehensive Income</b>			
<i>Items that will be reclassified to profit or loss</i>			
Unrealised gain on revaluation, net of tax	3	847	1,010
<b>Total Comprehensive (Loss)/ Income for the Period</b>		<b>544</b>	<b>1,083</b>
<b>(Loss) / Profit Attributable To:</b>			
Owners of the Group		(248)	90
Outside equity interests		(55)	(17)
		<b>(303)</b>	<b>73</b>
<b>Total Comprehensive (Loss) / Income Attributable To:</b>			
Owners of the Group		580	994
Outside equity interests		(36)	89
		<b>544</b>	<b>1,083</b>

The accompanying notes form part of these consolidated financial statements.

## Directors' Report Management Commentary

The Company has two significant property investments located in Penrith and Villawood, Sydney.

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 which reflected a capitalisation of 7%. The property has gross income of around \$2.0 million p.a. Tenants include Boating Camping Fishing, Barbeques Galore, Little Learning School and Rashay's Pizza Pasta Grill. Recently Toys R Us vacated the property after being placed in administration. This vacancy is currently being marketed for lease.

The Woods Action Centre is an entertainment precinct in Villawood, Sydney. The property was independently valued in June 2018 at \$19.25 million which reflected a capitalisation of 7.25%. Major tenants include AMF Bowling, Sydney Indoor Climbing Gym and Chipmunks Play Centre.

A reconciliation of the property values are as follows:

	Penrith \$'000	The Woods \$'000	Total \$'000
<b>31 December 2018</b>			
Balance at the beginning of period	25,000	19,250	44,250
Capital improvements	137	171	308
Revaluations	(48)	36	(12)
Depreciation	(89)	(207)	(296)
<b>Balance at the end of period</b>	<b>25,000</b>	<b>19,250</b>	<b>44,250</b>
<b>30 June 2018</b>			
Balance at the beginning of year	25,000	16,500	41,500
Capital improvements	83	27	110
Revaluations	91	3,165	3,256
Depreciation	(174)	(442)	(616)
<b>Balance at the end of year</b>	<b>25,000</b>	<b>19,250</b>	<b>44,250</b>

The borrowings against the property are detailed as follows:

	Penrith \$'000	The Woods \$'000	Total \$'000
<b>31 December 2018</b>			
Borrowings (current)	10,725	7,000	17,725
	<b>10,725</b>	<b>7,000</b>	<b>17,725</b>
<b>30 June 2018</b>			
Borrowings (current)	10,725	7,000	17,725
	<b>10,725</b>	<b>7,000</b>	<b>17,725</b>

The Penrith property borrowings recently received a short term extension to May 2019. It is subject to a margin of 2.15% pa (2018: 1.95% pa) over BBSY.

The Woods property borrowings expire in October 2019 and are subject to a margin of 1.65% per annum (2018: 1.65% per annum) over BBSY.

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

<b>Financial Assets</b>	<b>Note</b>	<b>December 2018 \$'000</b>	<b>June 2018 \$'000</b>
Listed - BlackWall Property Trust	(i)	15,052	13,973
Listed - BlackWall Limited		14	6
Listed - Lithium Australia NL		9	-
Unlisted - Kirela-C		3,206	3,206
Unlisted - Flinders		-	900
Unlisted - Pelorus Private Equity	(ii)	2,678	2,677
Unlisted - Tilt & Co		50	50
Unlisted - Primary Market		50	50
Unlisted - Sportility		300	50
Unlisted - Pelathon Pub Group		266	267
<b>Total</b>		<b>21,625</b>	<b>21,179</b>

*(i) BlackWall Property Trust (BWR)*

BlackWall Property Trust is an ASX-listed real estate investment trust managed by BlackWall. Pelorus holds 10 million BWR units (June 2018: 9.6 million BWR units). This represents 15% of BWR issued units (June 2018: 14%).

*(ii) Pelorus Private Equity (PPE)*

A significant investor in PPE shares disposed of their holding prior to last year end. 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. Planloc thus holds 21.5 million PPE shares. This represents 1.5% of PPE share capital.

## Financial Statements

### Consolidated Statement of Cash Flows For the Half-year Ended 31 December 2018

	December 2018 \$'000	December 2017 \$'000
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	1,459	1,924
Payments to suppliers	(663)	(999)
Dividends and distributions received	61	32
Interest paid	(750)	(791)
Interest received	2	23
<b>Net Cash Flows From Operating Activities</b>	<b>109</b>	<b>189</b>
<b>Cash Flows From Investing Activities</b>		
Returns of capital received	511	536
Proceeds from sale of investments	900	88
Acquisition of investments	(867)	(1,740)
Payment for capital expenditures	(308)	(63)
Net loans with related parties	(245)	351
<b>Net Cash Flows Used in Investing Activities</b>	<b>(9)</b>	<b>(828)</b>
<b>Cash Flows From Financing Activities</b>		
Payment for share buy back	-	475
<b>Net Cash Flows From Financing Activities</b>	<b>-</b>	<b>475</b>
<b>Net Increase / (Decrease) in Cash Held</b>	<b>100</b>	<b>(164)</b>
Cash and cash equivalents at the beginning of the year	74	301
<b>Cash and Cash Equivalents at End of the Period</b>	<b>174</b>	<b>137</b>





## Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2018

	Ordinary Shares \$'000	Retained Earnings/ (Accumulated Losses) \$'000	Asset Revaluati on Reserves \$'000	Attributable to Owners of the Parent \$'000	Non- controlling Interest \$'000	Total \$'000
<b>Balance at 1 July 2018</b>	<b>12,823</b>	<b>3,195</b>	<b>10,317</b>	<b>26,335</b>	<b>3,031</b>	<b>29,366</b>
Loss	-	(248)	-	(248)	(55)	(303)
Other comprehensive income / (loss)	-	-	828	828	19	847
<b>Balance at 31 December 2018</b>	<b>12,823</b>	<b>2,947</b>	<b>11,145</b>	<b>26,915</b>	<b>2,995</b>	<b>29,910</b>
<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>

## Notes to the Financial Statements

### For the Half-year Ended 31 December 2018

#### 1. Current Asset - Loans

	December 2018 \$'000	June 2018 \$'000
Loans - related and non-related parties	994	503
<b>Total</b>	<b>994</b>	<b>503</b>

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

	December 2018 \$000	June 2018 \$'000
BlackWall Penrith Fund No 3	5,816	5,816
Woods PIPES Fund	4,567	4,567
	10,383	10,383
Provision for Performance Fee	2,550	2,550
<b>Total</b>	<b>12,933</b>	<b>12,933</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.

#### 3. Unrealised gain on revaluation under comprehensive income

	December 2018 \$'000	December 2017 \$'000
Gain on financial assets	990	1,180
Gain/(Loss) on investment properties	(12)	243
Deferred tax on unrealised gain	(131)	(413)
	<b>847</b>	<b>1,010</b>

#### 4. 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.

## Notes to the Financial Statements

### For the Half-year Ended 31 December 2018

#### 5. 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 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>At 31 December 2018</b>				
Financial assets	15,075	-	6,550	21,625
<b>At 30 June 2018</b>				
Financial assets	13,979	-	7,200	21,179

##### (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 2018</b>	
Balance at the beginning of period	7,200
Purchase	250
Sale	(889)
Return of capital	(22)
Fair value movement	11
Balance at the end of period	<b>6,550</b>

## Notes to the Financial Statements

### For the Half-year Ended 31 December 2018

#### At 30 June 2018

Balance at the beginning of year	6,132
Purchase	1,078
Sale	(40)
Return of capital	(27)
Fair value movement	57
Balance at the end of year	<u>7,200</u>

#### 6. Segment Reporting

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

#### 7. Group Details

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

#### 8. 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.



## Notes to the Financial Statements

### For the Half-year Ended 31 December 2018

#### 9. 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**

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, except for the following standards:

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, except for the following:

*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 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.

##### **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 and Amended Standards adapted by the Group**



## **Notes to the Financial Statements**

### **For the Half-year Ended 31 December 2018**

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

In August 2013, the AASB made amendments to the above standard which exempt investment entities from consolidating controlled investees.

The Group has adopted this standard and there are no material changes to the Group's financial statements.



## **Directors' Report - Continued**

### **Information on Officeholders**

The names of the Officeholders in office at any time during or since the end of the year are set out below. Unless otherwise stated, Officeholders have been in office since the beginning of the financial year to the date of these financial statements.

Joseph (Seph) Glew (Executive Chairman)  
Paul Tresidder (Non-executive Director)  
Stuart Brown (Non-executive Director)  
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 be "Seph Glew", written in a cursive style.

Seph Glew  
Chairman  
Sydney, 15 March 2019



### **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 2018 and of its performance for the financial period ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read "Seph Glew". The signature is fluid and cursive, with a long horizontal stroke at the end.

Seph Glew  
Chairman  
Sydney, 15 March 2019





**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 2018, 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 15<sup>th</sup> of March 2019

**ESV Accounting and Business Advisors**

**Tim Valtwies**  
**Partner**



## 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 2018, 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 2018 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 2018 the financial impact of these departures is that profit after tax is understated by:

	December 2018	June 2018
	\$	\$
Held for trading financial assets	988,595	2,414,346
Investment properties	(11,757)	2,606,520
Movement in fair value of interest rate swap	41,197	74,709
Net unrecognised deferred tax liability	(131,223)	(1,236,438)
<b>Total</b>	<b>886,812</b>	<b>3,859,137</b>

Other comprehensive income is therefore overstated by \$845,615 (June 2018: \$3,784,428) and total comprehensive income is understated by \$41,197 (June 2018: \$74,709) (as the fair value of derivative not booked). The departure has resulted net assets presented in the Statement of Financial Position at the reporting date to be overstated by \$65,000 (June 2018: \$106,197).

- AASB 139 *Financial Instruments: Recognition and Measurement* mandates that the changes in the fair value of held for trading financial assets be recognised through the profit or loss, and AASB 9 *Financial Instruments* stipulates that the initial election by management to designate the financial assets at fair value through profit or loss is irrevocable.
- AASB 112 *Income Taxes* mandates that the deferred tax assets and liabilities be recognised for all taxable temporary difference for assets carried forward at fair value
- The mark to market valuations of interest rate swaps maturing on 3 December 2019 has not been recognised.
- AASB 140 *Investment Properties* mandates that where the fair value model is selected, the gain or loss arising from a change in the fair value of investment property shall be recognised in profit or loss for the period in which it arises.
- AASB 101 *Presentation of Financial Statements* mandates the group include in its financial statements a summary of the departures from the Accounting Standards, including the financial effect of the departures for each period presented, this has not been presented.

### Qualified 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 2018 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 15<sup>th</sup> day of March 2019

ESV Accounting and Business Advisors

Tim Valtwies  
Partner