



Interim Consolidated Financial Statements

Half-year ended 31 December 2012

Pelorus Private Equity Limited

ABN 45 091 209 639

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Directors' Report

The Directors of Pelorus Private Equity Limited ("Pelorus" or "the Company") and its controlled entities ("the Group") present their report for the half-year ended 31 December 2012.

Principal Activities

The Group is a holder of assets rather than an operating business. Current market conditions have severely impacted the carrying value of these assets but the Directors are confident that the underlying assets themselves are not at risk and the values will recover over time.

Review of Operations

The net result for the Group for the financial half-year ended 31 December 2012 was a loss after tax of \$1,716,000 (2011: loss \$3,266,000). This loss is primarily due to the write down in the carrying value of the Group's assets. The Group's most significant investments are described below.

P-REIT

P-REIT is a real estate investment trust that was listed on the Australian Securities Exchange (ASX) on 28 October 2011 (ASX code: PXT). Since listing the P-REIT unit price has traded well below its Net Tangible Assets (NTA) and was \$0.115 at 31 December 2012. TFML Limited (in its capacity as P-REIT's Responsible Entity) is a defendant in a Supreme Court action initiated by the MacarthurCook Property Securities Fund (MPS). The proceedings relate to a series of transactions entered into before TFML became responsible entity of P-REIT. On 10 August 2012 Justice Hammerschlag handed down a judgment (Judgment) in favour of MPS. The Judgment is for \$17,764,204 including court interest (to the date of Judgment) but excluding costs. P-REIT estimates costs and interest to be in the order of \$1.7 million bringing the total provision for the Judgment to \$19,500,000. P-REIT lodged an appeal which was heard on the 4th and 5th of April 2013 in the NSW Court of Appeal. The appeal decision is pending and could take up to six months. Since the balance date the Group has acquired 5.52 million P-REIT units on market. This brings the Group's holding in P-REIT to 23.45 million units or 11.3%. On the date of filing this report P-REIT's trading price was 15 cents per unit. At this value the Group's investment in P-REIT is valued at \$3.52 million.

As at the 30 June 2012 the Group held 18.03 million units in MPS. On the balance date this number had reduced to 12.5 million and is currently 2.5 million. The proceeds from the sale of the Group's MPS unit holding have largely been applied to the acquisition of P-REIT units.

On 3 August 2012, the Company commenced proceedings in the Supreme Court of New South Wales against MPS in respect of alleged breaches of the MPS Constitution and Corporations Act 2001 (Cth) with respect to a deeply discounted rights issue in May 2011. This transaction was also subject to Takeovers Panel proceedings instituted by the Company. The Company is seeking declaratory relief and damages.

The Woods Action Centre, Villawood

The Woods was a failed bulky goods retail centre that has been repositioned into an entertainment precinct. It is fully leased to entertainment style tenants including AMF Bowling, indoor Go-karts and indoor Rock Climbing. Since the balance date heads of agreement have been agreed with a childcare operator. A town planning application for this transaction is being prepared. In addition the property has the benefit of a development approval for the construction of a food outlet of approximately 305 sqm. BlackWall Property Funds Limited (BWF) manages the property and is seeking an appropriate food operator to lease this space once constructed. In addition a new children's playcentre known as Chipmunks Playland & Cafe opened at the site in February 2013, replacing the Wiggles.

Directors' Report (continued)

The Woods Action Centre, Villawood (continued)

The property was independently valued for a debt renewal in October 2012. The valuer assessed the value at \$10 million using a 12% cap rate. To arrive at this, he compared The Woods to bulky goods retail centres, some of which have been sold in distressed circumstances. In our view this is not appropriate and ignores the property's unique tenancy mix however, it does reflect the negative sentiment of valuers and bankers to property in general and bulky goods in particular. To put this valuation in context, the property was bought in 2007 with virtually no income for the same price that it has been valued at today, fully tenanted and producing net passing income of \$1.3 million p.a. Despite the valuer's opinion, we have refinanced the debt facility with NAB for a further 12 months however the Directors have resolved to reduce risk by amortising debt until the valuation normalises. Since the balance date \$400,000 has been repaid to the NAB bringing current debt to \$7.35 million. The Group's interest in the property is by way of a \$13.43 million subordinated debt instrument and \$1.87 million of ordinary equity. Third parties hold the balance of ordinary equity (\$0.63 million).

120 Mulgoa Road, Penrith

120 Mulgoa Road is a bulky goods asset leased to Toys R Us, Boating Camping Fishing and BBQ's Galore. In late 2012 the property's two smaller tenants trading as Pet Goods Direct and Bonfire Brazilian Grill were both placed in receivership. Subsequently an agreement to lease to a child care operator has been agreed and executed for a 10 year lease over the premises formerly occupied by Pet Goods Direct. Also a heads of agreement has been exchanged (with formal lease documentation being prepared) with a restaurant to lease the former Bonfire space for a term of 10 years. The restaurant transaction will involve minimal capital expenditure by the property owner however the childcare deal will involve up to \$500,000 of landlord's works. Over time we expect these transactions to have a positive effect on the property's value however in the short term 120 Mulgoa Road may be affected by the negative sentiment to bulky goods described above.

The Group's interest in this property is subordinated to bank debt of \$10.725 million and a mezzanine equity structure known as BlackWall Penrith Fund No 2 (for which BWF is the trustee) held by third parties of \$6 million. As a consequence if the property value rises above \$16.725 million the Group's net tangible assets will rise by that amount.

Significant Changes in Affairs

Other than as disclosed above no significant changes to the state of affairs of the Group occurred during the financial period.

Dividends

There were no dividends paid or declared for the half-year ended 31 December 2012 (2011: \$nil).

Events Subsequent to Reporting Date and Likely Developments

Other than as disclosed above there have been no material events subsequent to the reporting date.

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.

Directors' Report (continued)

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.

The Group has a net current asset deficiency of \$9,861,000. This is due to over \$10.7 million of borrowings secured against 120 Mulgoa Road, being classified as a current liability as it is due within the next 12 months. The Directors are confident that the borrowings will be renewed when due. The Woods' facility of \$7,750,000 has been renewed to January 2014 (as disclosed above \$400,000 of this facility has been repaid since the reporting date). The Directors have determined that notwithstanding the current asset deficiency it is appropriate that the financial statements be prepared on a going concern basis.

Office Holders

The names of the Directors in office at any time during or since the end of the period are set out below.

Seph Glew
Robin Tedder
Stuart Brown

Don Bayly is the Company Secretary.

Environmental Regulation and Performance

The Group's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or a Territory other than those that pertain to the ownership and development of real estate.

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 Chartered Accountants 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 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors.



Seph Glew
Chairman
Sydney, 6 May 2013



chartered
accountants

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Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the half-year ended 31 December 2012, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in 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 6 day of May 2013

ESV

ESV Chartered Accountants

Tim Valtwies
Partner

Pelorus Private Equity Limited and Controlled Entities

ABN 45 091 209 639

Consolidated Statement of Comprehensive Income

For the Half-year Ended 31 December 2012

	Notes	December 2012 \$'000	December 2011 \$'000
Fund and asset management income		-	43
Property rental income		1,886	1,680
Investment income		152	58
Gain / (loss) on disposal of assets		26	(32)
Foreign exchange gain / (loss)		11	(81)
Total Revenue		2,075	1,668
Business operating expenses		(501)	(407)
Depreciation expenses		(215)	(150)
Property outgoings		(223)	(174)
Finance costs		(761)	(952)
Unrealised loss on revaluation of assets and liabilities	2	(1,949)	(2,402)
Impairment		(141)	(845)
Other expenses		(1)	(4)
Loss Before Income Tax		(1,716)	(3,266)
Income tax expense		-	-
Loss From Continuing Operations After Tax		(1,716)	(3,266)
Other Comprehensive Income / (Loss)			
Foreign currency translation		-	22
Other Comprehensive Income For the Period		-	22
Total Comprehensive Loss For the Period		(1,716)	(3,244)
Profit / (Loss) Attributable To:			
Owners of the Group		(881)	(3,342)
Non-controlling interest		(835)	76
		(1,716)	(3,266)
Total Comprehensive Income / (Loss) Attributable To:			
Owners of the Group		(881)	(3,320)
Non-controlling interest		(835)	76
		(1,716)	(3,244)

The accompanying notes form part of these interim consolidated financial statements.

Pelorus Private Equity Limited and Controlled Entities

ABN 45 091 209 639

Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	December 2012 \$'000	June 2012 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		1,685	729
Trade and other receivables		104	77
Other financial assets	3	7,504	7,283
Total Current Assets		9,293	8,089
Non-current Assets			
Other financial assets	3	104	104
Investment properties	4	26,500	30,000
Intangible assets		10	10
Total Non-current Assets		26,614	30,114
TOTAL ASSETS		35,907	38,203
LIABILITIES			
Current Liabilities			
Trade and other payables		540	688
Current tax payable		49	49
Other financial liabilities	6	90	115
Borrowings	5	18,475	8,000
Total Current Liabilities		19,154	8,852
Non-current Liabilities			
Borrowings	5	-	10,725
Other financial liabilities	6	6,158	6,169
Total Non-current Liabilities		6,158	16,894
TOTAL LIABILITIES		25,312	25,746
NET ASSETS		10,595	12,457
EQUITY			
Share capital	7	15,283	15,401
Accumulated losses		(3,529)	(2,648)
Parent Interest		11,754	12,753
Non-controlling interest		(1,159)	(296)
TOTAL EQUITY		10,595	12,457

The accompanying notes form part of these interim consolidated financial statements.

Pelorus Private Equity Limited and Controlled Entities

ABN 45 091 209 639

Consolidated Statement of Changes in Equity

For the Half-year Ended 31 December 2012

	Ordinary Shares \$'000	Retained Earnings/ (Accumulated Losses) \$'000	Foreign Currency Translation Reserve \$'000	Attributable to Owners of the Parent \$'000	Non- controlling Interest \$'000	Total \$'000
Balance at 1 July 2012	15,401	(2,648)	-	12,753	(296)	12,457
Loss for the period	-	(881)	-	(881)	(835)	(1,716)
Cancellation of shares	(118)	-	-	(118)	-	(118)
Transactions with non-controlling interest	-	-	-	-	(28)	(28)
Balance at 31 December 2012	15,283	(3,529)	-	11,754	(1,159)	10,595
Balance at 1 July 2011	23,124	3,757	-	26,881	736	27,617
Profit / (loss) for the period	-	(3,342)	-	(3,342)	76	(3,266)
Other comprehensive income	-	-	22	22	-	22
Cancellation of shares	(7,743)	-	-	(7,743)	-	(7,743)
Balance at 31 December 2011	15,381	415	22	15,818	812	16,630

The accompanying notes form part of these interim consolidated financial statements.

Pelorus Private Equity Limited and Controlled Entities

ABN 45 091 209 639

Consolidated Statement of Cash Flows

For the Half-year Ended 31 December 2012

	December 2012 \$'000	December 2011 \$'000
Cash Flows From Operating Activities		
Receipts from customers	2,058	1,937
Payments to suppliers and employees	(1,314)	(836)
Dividends and distributions received	8	13
Interest paid	(713)	(1,016)
Interest received	33	22
Income tax paid	-	(7)
Net Cash Flows From Operating Activities	72	113
Cash Flows From Investing Activities		
Proceeds from sale of investments	315	-
Acquisition of other investments	(638)	(272)
Payment for development of investment properties	(43)	(38)
Loans to related parties	(85)	(360)
Loan repayments received from related parties	1,703	1,860
Net Cash Flows From Investing Activities	1,252	1,190
Cash Flows From Financing Activities		
Proceeds from borrowings	-	225
Repayment of borrowings	(250)	-
Share buy backs	(118)	-
Net Cash Flows From / (Used in) Financing Activities	(368)	225
Net Increase in Cash Held	956	1,528
Cash and cash equivalents at the beginning of the period	729	77
Effect of exchange rates on cash holdings	-	(36)
Cash and Cash Equivalents at End of the Period	1,685	1,569

The accompanying notes form part of these interim consolidated financial statements.



Notes to the Interim Consolidated Financial Statements

For the Half-year Ended 31 December 2012

1. Statement of Significant Accounting Policies

The financial statements cover the economic entity of Pelorus Private Equity Ltd ("the Company") and Controlled Entities ("the Group"). Pelorus Private Equity Ltd is a public company, incorporated and domiciled in Australia.

The financial statements for the Group for the half-year ended 31 December 2012 were authorised for issue in accordance with the resolution of the Directors on 6 May 2013.

Statement of Compliance

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*. 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 do not include notes of the type normally included in annual financial statements. It is recommended that the financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2012.

Basis of Preparation

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 98/0100, 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.

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.

The Group has a net current asset deficiency of \$9,861,000. This is due to over \$10.7 million of debt secured against 120 Mulgoa Road, being classified as a current liability as it is due within the next 12 months. The Directors are confident that the facility will be renewed when due. The Woods' facility of \$7,750,000 has been renewed to January 2014 (as disclosed above \$400,000 of this facility has been repaid since the reporting date). The Directors have determined that notwithstanding the current asset deficiency it is appropriate that the financial statements be prepared on a going concern basis.

Notes to the Interim Consolidated Financial Statements

For the Half-year Ended 31 December 2012

2. Expenses

	December 2012 \$'000	December 2011 \$'000
Unrealised gain/(loss) on revaluation:		
- Financial assets - listed securities	678	(2,158)
- Financial assets - unlisted investments	664	(208)
- Investment properties	(3,328)	84
- Financial liabilities	37	(120)
Total unrealised loss on revaluation	(1,949)	(2,402)

3. Current and Non-current Assets - Financial Assets

	Note	December 2012 \$'000	June 2012 \$'000
(a) Current Financial Assets			
Financial assets at fair value through profit or loss	3(c)	6,797	2,997
Loans and receivables	3(d)	707	4,286
Total current financial assets		7,504	7,283

(b) Non-current Financial Assets

Other financial assets		104	104
Total non-current financial assets		104	104

(c) Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value (FV) through profit or loss that are all held for trading:

Listed securities - non-related parties	713	901
Listed securities - P-REIT	2,062	1,161
Listed securities - BlackWall	269	175
Unlisted - related managed investment schemes	3,753	760
Total financial assets at FV through profit or loss	6,797	2,997

(d) Loans and Receivables

Loans - related parties	2,113	5,540
Provision for impairment	(1,406)	(1,254)
Total loans and receivables	707	4,286

Notes to the Interim Consolidated Financial Statements

For the Half-year Ended 31 December 2012

4. Non-current Assets - Investment Properties

	Penrith \$'000	The Woods \$'000	Total \$'000
31 December 2012			
Balance at the beginning of period	16,500	13,500	30,000
Capital improvements	43	-	43
Revaluations	28	(3,356)	(3,328)
Depreciation	(71)	(144)	(215)
Balance at the end of period	16,500	10,000	26,500
30 June 2012			
Balance at the beginning of year	16,527	17,000	33,527
Capital improvements	24	56	80
Revaluations	257	(3,257)	(3,000)
Depreciation	(308)	(299)	(607)
Balance at the end of year	16,500	13,500	30,000

Refer to Note 5 for details of borrowings secured against the properties.

The Penrith property is a bulky goods retail centre located at 120 Mulgoa Road, Penrith, Sydney. The property was independently valued at 30 June 2011 at \$16.5 million reflecting an initial yield of 9.1%. This valuation continues to be adopted by Directors.

The Woods was a failed bulky goods retail centre that has been repositioned into an entertainment precinct. It is fully leased to tenants including AMF Bowling, indoor Go-karts and indoor Rock Climbing. Since the balance date heads of agreement have been agree with a childcare operator. A town planning application for this transaction is being prepared. In addition the property has the benefit of a development approval for the construction of a food outlet of approximately 305 sqm. BWF manages the property and is seeking an appropriate food operator to lease this space once constructed. In addition a new children's play centre known as Chipmunks Playland & Cafe opened at the site in February 2013, replacing the Wiggles.

5. Current and Non-current Liabilities - Borrowings

	Penrith \$'000	The Woods \$'000	Total \$'000
31 December 2012			
Current - Borrowings	(10,725)	(7,750)	(18,475)
Balance at the end of period	(10,725)	(7,750)	(18,475)
30 June 2012			
Current - Borrowings	-	(8,000)	(8,000)
Non-current - Borrowings	(10,725)	-	(10,725)
Balance at the end of year	(10,725)	(8,000)	(18,725)

Notes to the Interim Consolidated Financial Statements

For the Half-year Ended 31 December 2012

5. Current and Non-current Liabilities – Borrowings (continued)

The Penrith property's borrowings are classified as current liabilities as they are due for renewal on 31 July 2013.

The renewal of the debt facility secured by The Woods was completed in January and a new 1 year facility has been executed. To the date of this report, \$650,000 has been repaid bringing the outstanding balance to \$7.35 million. The facility is subject to quarterly principal repayments of \$150,000.

A total of \$13.725 million of the borrowings are hedged at fixed interest rates. Refer to Note 6 for further details. The average interest rate on the facilities was 5.34% per annum (June 2012: 5.77%).

6. Current and Non-current Liabilities – Other Financial Liabilities

	December 2012 \$'000	June 2012 \$'000
Current:		
Interest rate hedges	90	115
Total other financial liabilities	90	115
Non-current:		
Interest rate hedges	158	169
BlackWall Penrith Fund No 2	6,000	6,000
Total other financial liabilities	6,158	6,169

The interest rate hedge liabilities represent the mark to market valuations of hedges in place at 31 December 2012 with respect to property debt held over the Penrith and The Woods properties. The terms of the hedges are:

- \$8 million swapped at 4.11% to November 2013.
- \$5.725 million swapped at 4.53% to August 2014.

The BlackWall Penrith Fund No 2 ("BPF2") liabilities refer to the interests in the property of the BPF2. BPF2 has a hybrid property investment vehicle with a \$6,000,000 interest in the Penrith property secured by a registered second mortgage.

7. Share Capital

(a) Summary Table

	December 2012 \$'000	June 2012 \$'000
218,257,971 (2012: 222,385,025 Ordinary)	15,283	15,401
Total issued capital	15,283	15,401

Notes to the Interim Consolidated Financial Statements

For the Half-year Ended 31 December 2012

7. Share Capital (continued)

(b) Movement in shares on issue

	December 2012	June 2012
	No.	No.
At the beginning of the period	222,385,025	339,330,395
Cancellation of shares	(4,127,054)	(116,945,370)
At the end of the period	218,257,971	222,385,025

During the period, the Company purchased 4,127,054 ordinary shares. The shares were acquired at 2.86 cents per share. The total cost of \$118,000 was deducted from ordinary shareholder equity.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. All shares are fully paid and have no par value.

8. Commitments

No operating or capital lease commitments were in existence as at 31 December 2012 (2011: Nil).

9. Contingent Liabilities and Contingent Assets

On 3 August 2012, the Company commenced proceedings in the Supreme Court of New South Wales against the Responsible Entity for the MacarthurCook Property Securities Fund ("MPS") in respect of alleged breaches of the MPS Constitution and Corporations Act 2001 (Cth) with respect to a deeply discounted rights issue undertaken in May 2011. This transaction was also subject to Takeovers Panel proceedings instituted by the Company. The Company is seeking declaratory relief and damages.

There are no other contingent liabilities or contingent assets as at 31 December 2012.

10. Subsequent Events

Subsequent to the balance date, \$400,000 of borrowings was repaid to the Group's lender in relation to the borrowings secured against The Woods (refer to Note 5).

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.

11. Group Details

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

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 15 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 consolidated entity's financial position as at 31 December 2012 and of its performance for the financial half-year 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.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Seph Glew
Chairman
Sydney, 6 May 2013



chartered
accountants

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Independent Review Report to the Members of Pelorus Private Equity Limited and its Controlled Entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pelorus Private Equity Limited and its Controlled Entities ("the Group"), which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and 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 Half-Year Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that 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 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 2012 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 the Group, 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 Members of Pelorus Private Equity Limited and its Controlled Entities

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter 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 2012 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 7 day of May 2013

ESV

ESV Chartered Accountants



Tim Valtwies
Partner