



Interim Consolidated Financial Report

Half Year Ended 31 December 2011

Pelorus Private Equity Limited
ABN 45 091 209 639

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Directors' Report

The Directors of Pelorus Private Equity Limited and its controlled entities ("the Company") present their report for the half year ended 31 December 2011.

Directors

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

Joseph (Seph) Glew
Stuart Brown
Robin Tedder

Company Secretary

Don Bayly is the Company Secretary.

Principal Activities

The Company is a holder of assets rather than an operating business. Some of these asset positions are either "work outs" or speculative in nature, however, the Directors believe that they have the potential to generate value over time if the Company's strategies for these positions can be successfully executed.

Review of Operations

The net result for the Company for the financial period ended 31 December 2011 was a loss after tax of \$3,266,000 (31 December 2010: Loss \$797,000).

The Company holds an investment in P-REIT which was listed on the Australian Securities Exchange (ASX) on 28 October 2011. Since listing the P-REIT unit price has traded well below its Net Tangible Assets (NTA) per unit of \$0.31 and was \$0.09 at 31 December 2011. The stock is very thinly traded with less than 1% of units on issue trading since listing. Accounting standards require the fair value of P-REIT units to be based on quoted market prices at the end of the reporting period. This results in an unrealised revaluation downward of \$1,500,002 of the P-REIT units. The Directors still consider the realisable value of P-REIT units to be close to its NTA of \$0.31.

Significant Changes in Affairs

There were no significant changes to the state of affairs of the Company during the financial period.

Dividends

There were no dividends paid or declared in the half year ended 31 December 2011.

Events Subsequent to Reporting Date and Likely Developments

The Company holds a 40% interest in Trentham City Investments Limited (TCIL), incorporated in New Zealand. TCIL was put under receivership on 1 March 2012. Refer to Note 4 for further details.

Directors' Report (continued)

Events Subsequent to Reporting Date and Likely Developments (continued)

Except for the above, to the best knowledge of the Directors, there have been no other matters or circumstances that have arisen since the end of the half year that have materially affected or may materially affect the Company's operations in future financial years, the results of those operations or the Company's state of affairs in future financial years.

Going Concern

This financial report has 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 Company has a net current asset deficiency of \$3,186,000, due to the borrowings of \$8,000,000 being classified as a current liability that is due within the next 12 months. The Directors believe that through the ability of the Company to generate sufficient future operating cashflows and the Company raising funds through asset sales if necessary it is appropriate the financial report be prepared on a going concern basis.

Auditor's Independence Declaration

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 5 and forms part of the Directors' Report for the half year ended 31 December 2011.

Rounding off of Amounts

The Company 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 half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors.



Stuart Brown
Director
Sydney, 15 March 2012

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 2011, 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 14th day of March 2012.



ESV Chartered Accountants



Tim Valtwies
Partner

Directors' Declaration

The Directors declare that:

- (a) The financial statements and notes set out on pages 7 to 19 are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance, for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements.

- (b) There are reasonable grounds to believe that the Company 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.



Stuart Brown
Director
Sydney, 15 March 2012

Pelorus Private Equity Ltd and Controlled Entities

ABN 45 091 209 639

Condensed Consolidated Statement of Comprehensive Income

For the Half Year Ended 31 December 2011

	Notes	December 2011 \$'000	December 2010 \$'000
Fund / asset management income		43	404
Property services income		-	1,538
Property rental income		1,680	7,753
Investment income		58	181
Gain / (loss) on disposal of assets		(32)	28
Share of profit of associates		-	15
Total revenue		<u>1,749</u>	<u>9,919</u>
Business operating expenses		(597)	(2,596)
Property outgoings		(134)	(2,323)
Finance costs		(952)	(3,790)
Loss on exchange differences		(81)	(12)
Unrealised loss on revaluation of assets		(2,402)	(346)
Provision for impairment of loans		(845)	-
Other expenses		(4)	(91)
Profit / (loss) before income tax		<u>(3,266)</u>	<u>761</u>
Incomes tax (expense) / benefit	2	-	(1,558)
Loss for the period		<u>(3,266)</u>	<u>(797)</u>
Other comprehensive income / (loss)			
Foreign currency translation		22	(3)
Loss on available for sale investments taken to equity		-	(4,961)
Income tax items of other comprehensive income		-	434
Other comprehensive income / (loss) for the period		<u>22</u>	<u>(4,530)</u>
Total comprehensive loss for the period		<u>(3,244)</u>	<u>(5,327)</u>
(Loss) / profit attributable to:			
Owners of the parent		(3,342)	(798)
Non-controlling interest		76	1
		<u>(3,266)</u>	<u>(797)</u>
Total comprehensive income /(loss) attributable to:			
Owners of the parent		(3,320)	(5,328)
Non-controlling interest		76	1
		<u>(3,244)</u>	<u>(5,327)</u>

These financial statements are comprised of an approximately six month period ended 31 December 2010 in which the Company operated under its previous structure. Subsequent to 31 December 2010, the Company transferred its operating businesses into another entity known as Blackwall Property Funds Limited.

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

Pelorus Private Equity Ltd and Controlled Entities

ABN 45 091 209 639

Condensed Consolidated Statement of Financial Position

For the Half Year Ended 31 December 2011

	Note	December 2011 \$'000	June 2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		1,569	77
Trade and other receivables		166	168
Other financial assets	3	3,955	16,579
Current tax receivable		347	319
Total current assets		6,037	17,143
Non-current assets			
Equity accounted investments	4	2,656	2,656
Other financial assets	3	104	104
Investment properties	5	33,500	33,527
Deferred tax assets		12	12
Intangible assets		79	15
Total non-current assets		36,351	36,314
TOTAL ASSETS		42,388	53,457
LIABILITIES			
Current liabilities			
Trade and other payables		948	1,371
Financial liabilities		275	254
Borrowings	5	8,000	-
Total Current liabilities		9,223	1,625
Non-current liabilities			
Borrowings	5	10,725	18,500
Other financial liabilities	5	5,810	5,715
Total non-current liabilities		16,535	24,215
TOTAL LIABILITIES		25,758	25,840
NET ASSETS		16,630	27,617
EQUITY			
Share capital	6	15,381	23,124
Reserves		22	-
Retained earnings		415	3,757
Parent interest		15,818	26,881
Non-controlling interest		812	736
TOTAL EQUITY		16,630	27,617

Pelorus Private Equity Ltd and Controlled Entities

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Condensed Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2011

	Ordinary Shares \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Foreign Currency Translation Reserve \$'000	Attributable to owners of the parent \$'000	Non-controlling interest \$'000	Total \$'000
Balance at 1 July 2010	87,551	21,369	-	(38)	108,882	883	109,765
Loss for the period	-	(798)	-	-	(798)	1	(797)
Other comprehensive income	-	-	(4,527)	(3)	(4,530)	-	(4,530)
Issue of options under employee share based payment	13	-	-	-	13	-	13
Issue of shares	179	-	-	-	179	-	179
Share buybacks	(6)	-	-	-	(6)	-	(6)
Balance at 31 December 2010	87,737	20,571	(4,527)	(41)	103,740	884	104,624
Balance at 1 July 2011	23,124	3,757	-	-	26,881	736	27,617
Loss for the period	-	(3,342)	-	-	(3,342)	76	(3,266)
Other comprehensive income	-	-	-	22	22	-	22
Cancellation of shares (P-REIT swap offer)	(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 condensed consolidated financial statements.

Pelorus Private Equity Ltd and Controlled Entities

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Condensed Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2011

	December 2011 \$'000	December 2010 \$'000
Cash flows from operating activities:		
Receipts from customers	1,937	11,395
Payments to suppliers and employees	(836)	(5,155)
Dividends and distributions received	13	33
Interest paid	(1,016)	(3,785)
Interest received	22	21
Income tax paid	(7)	(121)
Net cash provided by (used in) operating activities	113	2,388
Cash flows from investing activities:		
Proceeds from sale of investments	-	809
Purchase of land	-	(1,851)
Acquisition of property, plant and equipment	-	(285)
Acquisition of other investments	(272)	(1,338)
Development of investment properties	(38)	(1,743)
Loans acquired and repaid	1,860	623
Loans to related parties	(360)	(1,339)
Net cash provided by (used in) investing activities	1,190	(5,124)
Cash flows from financing activities:		
Payment for share buy backs	-	(6)
Proceeds from borrowings	225	1,499
Repayment of borrowings	-	(50)
Net cash provided by (used in) financing activities	225	1,443
Net decrease in cash and cash equivalents	1,528	(1,293)
Cash and cash equivalent at the beginning of the period	77	2,074
Decrease in cash as a result of change in BQF accounting treatment	-	(255)
Effect of exchange rates on cash holdings	(36)	3
Cash and cash equivalent at end of the period	1,569	529

Pelorus Private Equity Ltd and Controlled Entities

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Notes to the Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2011

1. Statement of Significant Accounting Policies

Statement of Compliance

The condensed consolidated half year financial report for the half year period ended 31 December 2011 has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The condensed consolidated half year financial report does not include full disclosure of the type normally included in an annual financial report. It is recommended that the half year financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by the Group during the half year in accordance with the continuous disclosure obligations of the Corporations Act 2001.

The consolidated interim financial report was authorised for issue by the Directors on 15 March 2012.

Basis of Preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company 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 half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2011 annual financial report for the financial year ended 30 June 2011, except for the impact of the change in accounting policy and Standards and Interpretations described below.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Going Concern

This financial report has 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 Company has a net current asset deficiency of \$3,186,000, due to the borrowings of \$8,000,000 being classified as a current liability that is due within the next 12 months. The Directors believe that through the ability of the Company to generate sufficient future operating cashflows and the Company raising funds through asset sales if necessary it is appropriate the financial report be prepared on a going concern basis.

Pelorus Private Equity Ltd and Controlled Entities

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Notes to the Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2011

1. Statement of Significant Accounting Policies (continued)

New and Revised Accounting Requirements Applicable to the Current Half Year Reporting Period

For the half year reporting period to 31 December 2011, a number of new and revised Accounting Standard requirements became mandatory for the first time, some of which are relevant to the Company. A discussion of these new and revised requirements that are relevant to the Company is provided below:

– AASB 124: Related Party Disclosures (December 2009)

AASB 124 (December 2009) introduces a number of changes to the accounting treatment of related parties compared to AASB 124 (December 2005, as amended), including the following:

- The definition of a “related party” is simplified, clarifying its intended meaning and eliminating inconsistencies from the definition, including:
 - the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;
 - entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other;
 - the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other; and
 - the definition now clarifies that a post-employment benefit plan and an employer sponsor of such a plan are related parties of each other.
- A partial exemption is provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

Application of AASB 124 (December 2009) did not have a significant impact on the financial statements of the Company.

– AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB’s annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity’s first Australian Accounting Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity’s exposure to risks arising from financial instruments;
- amending AASB 101 to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;

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

Pelorus Private Equity Ltd and Controlled Entities

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Notes to the Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2011

1. Statement of Significant Accounting Policies (continued)

New and Revised Accounting Requirements Applicable to the Current Half Year Reporting Period (continued)

- adding a number of examples to the list of events and transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

Application of the amendments in AASB 2010-4 did not have a significant impact on the financial statements of the Company.

- AASB 1054: Australian Additional Disclosures and AASB 2011-1: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5,

AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]

AASB 1054 sets out the Australian-specific disclosures that are additional to IFRS disclosure requirements.

The disclosure requirements in AASB 1054 were previously located in other Australian Accounting Standards.

Application of AASB 1054 did not have a significant impact on the financial statements of the Company.

New accounting standards and interpretations that have been issued or amended but are not yet effective

Certain Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective and have not been adopted by the Company for the period ended 31 December 2011. The impact of these new or amended standards (to the extent relevant to the Company) and interpretations are set out below:

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

This amendment requires deferred tax to be determined on the basis that the asset is disposed of, rather than the asset being retained and tax recognised through the continued use of the asset. The final amount of tax actually paid on the disposal of any of the Company's assets may be different, depending on the circumstances of the disposal. The Company is currently assessing the impact of this amended standard.

IFRS 10 Consolidated Financial Statements (effective from 1 January 2013)

This standard broadens the situations where an entity is likely to be considered to control another entity and includes new guidance for determining control of an entity. The Company is currently working through the structure in order to establish which entities / assets may be consolidated.

Pelorus Private Equity Ltd and Controlled Entities

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Notes to the Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2011

1. Statement of Significant Accounting Policies (continued)

New accounting standards and interpretations that have been issued or amended but are not yet effective (continued)

IFRS 11 Joint Arrangements (effective from 1 January 2013)

This standard uses the principle of control in IFRS 10 to define joint control and removes the option to account for jointly controlled entities using the proportionate consolidation method. The Company is currently assessing the impact of this standard.

IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013)

This standard introduces new disclosures about judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The Company is currently assessing the impact of this standard.

IFRS 13 Fair Value Measurement (effective from 1 January 2013)

This standard establishes a single source of guidance for determining the fair value of assets and liabilities. The Company is currently assessing the impact of this standard.

2. Income Tax Expense

	December 2011 \$'000	December 2010 \$'000
Current tax	-	(108)
Deferred tax asset write down *	-	1,666
Total income tax expense/(benefit)	-	1,558

*Deferred tax assets that were held in relation to capital losses from revaluation of assets have been written down as it is not highly probable that they will be realised.

No current income tax expense has been recognised for the period based on the profit of the tax consolidated group adjusted for any non-assessable or non-deductible items.

Pelorus Private Equity Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2011

3. Financial Assets

	Note	December 2011 \$'000	June 2011 \$'000
(a) Current Financial Assets			
Financial assets at fair value through profit or loss	3(c)	2,460	13,526
Loans and receivables	3(d)	1,495	3,053
Total current financial assets		<u>3,955</u>	<u>16,579</u>
(b) Non Current Financial Assets			
Other financial assets		<u>104</u>	<u>104</u>
(c) Financial Assets at Fair Value Through Profit or Loss			
Financial assets at fair value through profit or loss are all held for trading including the following:			
Listed securities – non-related parties		1,370	1,963
Listed securities - P-REIT		687	11,069
Listed securities - Blackwall Property Funds Ltd		195	-
Unlisted units - Tankstream Property Investment Fund		208	494
Total held for trading financial assets		<u>2,460</u>	<u>13,526</u>
Blackwall Property Funds Ltd and P-REIT were listed on the Australian Securities Exchange (ASX) on 21 October 2011 and 28 October 2011 respectively (ASX codes: BWF and PXT).			
Since listing the P-REIT unit price has traded well below its Net Tangible Assets (NTA) per unit of \$0.31 and was \$0.09 at 31 December 2011. The stock is very thinly traded with less than 1% of units on issue trading since listing. Accounting standards require the fair value of P-REIT units to be based on quoted market prices at the end of the reporting period. This results in an unrealised revaluation downward of \$1,500,002 of the P-REIT units. The Directors still consider the realisable value of P-REIT units to be close to its NTA of \$0.31.			
(d) Loans and Receivables			
Loans and receivables to related parties		2,492	3,776
Less: provision for impairment		<u>(997)</u>	<u>(723)</u>
		<u>1,495</u>	<u>3,053</u>

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

Pelorus Private Equity Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2011

4. Equity Accounted Investments

	December 2011 \$'000	June 2011 \$'000
Equity accounted investments	2,656	2,656

The Company holds a 40% interest in Trentham City Investments Limited (TCIL), incorporated in New Zealand. The value of the Company's investment in TCIL as at 31 December 2011 was \$1, which was included as part of equity accounted investments above. TCIL was put under receivership on 1 March 2012. As a result, investment in TCIL and part of the current loan to TCIL were impaired. Total amount of provision for the period was \$616,354.

5. Investment Properties and Borrowings

	Penrith \$'000	The Woods at Villawood \$'000	Total \$'000
Investment property fair value at 30 June 2011	16,527	17,000	33,527
Capital improvements	-	38	38
Straight-line lease receivables	4	6	10
Revaluation increase / (decrease)	(31)	106	75
Depreciation	-	(150)	(150)
Investment property fair value at 31 December 2011	16,500	17,000	33,500

Pelorus Private Equity Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2011

5. Investment Properties and Borrowings (continued)

	Penrith \$'000	The Woods at Villawood \$'000	Total \$'000
Non-current - Borrowings	(10,500)	(8,000)	(18,500)
Other financial liabilities	(5,715)	-	(5,715)
Balance at 30 June 2011	(16,215)	(8,000)	(24,215)
Current - Borrowings	-	(8,000)	(8,000)
Non-current - Borrowings	(10,725)	-	(10,725)
Other financial liabilities	(5,715)	-	(5,715)
Balance at 31 December 2011	(16,440)	(8,000)	(24,440)

The borrowings that are due on 30 September 2012 have now been classified as current liabilities. The Directors are confident that the borrowings will be extended after its expiry date.

The Penrith property is a bulky goods retail centre known as 120 Mulgoa Road, Penrith, Sydney. The property was independently valued at 30 June 2011 at \$16.5 million that reflects an initial yield of 9.1%. The debt secured against the property was refinanced to July 2013. Other financial liabilities refer to the interests in the property of the Pelorus Penrith Fund No.2 (PPF2). PPF2 has a hybrid property investment vehicle with a \$6,000,000 interest in the property secured by a registered second mortgage. The Group holds 285,000 units in the fund, which represents net property equity. Any increase in the value of the property above \$16.5 million (that is property debt plus other financial liabilities) will accrue to the Group.

The Woods is a conversion of a 9,000 sqm failed bulky goods retail site into a mixed-use action centre situated on Woodville Road, Villawood, Sydney. The property is now fully leased and incorporates an AMF ten pin bowling centre, laser skirmish facility, Wiggles playland, indoor rock climbing gym and indoor go karting centre. A function centre is due to open in the next 6 months and a letter of offer has been signed and deposit taken for the country's first indoor sky diving facility at the site. Authority approvals are currently being sort for this development and it is expected that work will commence during the current year. A coffee shop is also planned for the property.

In arriving at fair value of the properties the Directors consider the discounted cashflows of the investment property based on estimates of future cash flows, recent prices for similar properties and capitalised income projections based on the properties' net market income.

Pelorus Private Equity Ltd and Controlled Entities

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Notes to the Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2011

6. Issued Capital

a. Summary Table

	December 2011 \$'000	June 2011 \$'000
222,385,025 (30 June 2011:339,330,395) Ordinary	15,381	23,124
Total issued capital	<u>15,381</u>	<u>23,124</u>

b. Movement in shares on issue

	December 2011 No.	June 2011 No.
At the beginning of reporting period	339,330,395	379,564,893
Employee share scheme	-	2,196,600
Unmarketable parcel buy back	-	(40,899)
Cancellation of shares (P-REIT swap offer)	<u>(116,945,370)</u>	<u>(42,390,199)</u>
At reporting date	<u>222,385,025</u>	<u>339,330,395</u>

The P-REIT swap offer relates to the Demerger of the Company (the Demerger) that the shareholders approved on 22 December 2010. The Demerger was detailed in the Explanatory Memorandum dated on 18 November 2010 which is available at www.pelorus.com.au.

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.

7. Capital Commitments

No capital commitments were in existence as at 31 December 2011 (2010: Nil).

Pelorus Private Equity Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Condensed Consolidated Financial Statements

For the Half Year Ended 31 December 2011

8. Contingent Liabilities and Contingent Assets

The Company had no contingencies as at 31 December 2011 (2010: Nil), except for the following:

MacarthurCook Property Securities Fund (MPS)

In May 2010, MacarthurCook Funds Management Limited as responsible entity of MacarthurCook Property Securities Fund (MPS) commenced legal proceedings against RFML Limited (a subsidiary of Pelorus Private Equity Limited) and P-REIT, a real estate investment trust for which RFML Limited acts as the responsible entity for, to recover an alleged debt. The alleged debt relates to investments in the Trust made by MPS beginning early 2007. MPS holds 22.6 million units in P-REIT and is seeking redemption of 15 million of these units in preference to other unitholders at a price of \$1.00. Additional fees of \$2,772,802 plus costs and interest are also being claimed.

The matter has been set down for hearing in July 2012. The Directors are of the view that the claim has little prospect of success, however should the legal proceedings be pursued to their fullest extent, significant non-recoverable legal costs will be incurred by P-REIT.

There are no other contingent liabilities or contingent assets as at 31 December 2011 which require disclosure in the financial statements.

9. Subsequent Events

The Company holds a 40% interest in Trentham City Investments Limited (TCIL), incorporated in New Zealand. TCIL was put under receivership on 1 March 2012. Refer to Note 4 for further details.

Except for the above, to the best knowledge of the Directors, there have been no other matters or circumstances that have arisen since the end of the half year that have materially affected or may materially affect the Company's operations in future financial years, the results of those operations or the Company's state of affairs in future financial years.

10. Group Details

Principal place of business

The principal place of business of the Company is:
Pelorus Private Equity Ltd and Controlled Entities
Level 1, 50 Yeo Street
Neutral Bay, NSW, 2089

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 condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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 company 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 company's financial position as at 31 December 2011 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.

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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 company's financial position as at 31 December 2011 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 2012

ESV Chartered Accountants

ESV Chartered Accountants

Tim Valtwies

Tim Valtwies
Partner