

PELORUS
PROPERTY GROUP
Interim Financial Report

Half Year Ended 31 December 2010



Pelorus Property Group Limited
ABN 45 091 209 639

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Directors' Report

Your directors present their report for Pelorus Property Group Ltd and controlled entities ("the Group") for the half-year ended 31 December 2010.

Business Review

On 22 December 2010 Group Shareholders approved a demerger of the Pelorus Property Group (the Demerger). The Demerger was detailed in the Explanatory Memorandum dated on 18 November 2010.

As a result of the Demerger the principal activities of the Group will change materially.

Under the Demerger Pelorus has or will

- Change its name to Pelorus Private Equity Limited (completed January 2011)
- Delist from the Australian Stock Exchange (completed 7 January 2011)
- Transfer the operating businesses into the newly formed BlackWall Property Funds Limited and distribute its shares to shareholders (completed February 2011)
- Distribute the Group's interests in the Bakehouse Quarter Fund to the Group's shareholders (to be completed pending ATO rollover relief being granted)

These transactions will result in Pelorus becoming the 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 Group's strategies for these positions can be successfully executed.

Information on Directors

The names of the directors in office for the half-year and to the date of this report are:

Seph Glew
Stuart Brown
Robin Tedder
Paul Tresidder (resigned 31/01/11)
Guy Wynn (resigned 31/01/11)
Richard Hill (resigned 31/01/11)

Don Bayly was appointed as the Group Secretary on 12 January 2010.

Alex Breen resigned as the Group Secretary on 12 January 2010.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out in this interim financial report.

Rounding off 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 director's 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
Managing Director
14 April 2011



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 2010, 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 12th day of April 2011

ESV Chartered Accountants

ESV Chartered Accountants

A handwritten signature in black ink, appearing to read 'Tim Valtwies'.

Tim Valtwies
Partner

Independent Review Report to the Investors of Pelorus Property Group Limited and Controlled Entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pelorus Property Group Limited ("the Company") and Controlled Entities ("the Group") which comprises the condensed consolidated statement of financial position as at 31 December 2010 and the condensed consolidated statement of comprehensive income, the condensed statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, selected accompanying notes to the financial statements and the Directors' declaration.

Directors' Responsibility for the 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 the 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 2010 and its performance for the half-year ended on that date and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pelorus Property Group Limited and Controlled Entities, 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 Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Independent Review Report to the Investors of Pelorus Property Group Limited and Controlled Entities

Conclusion

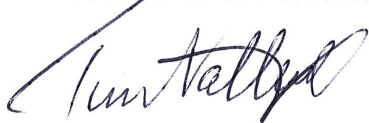
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pelorus Property Group Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2010 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 13th day of April 2011

ESV Chartered Accountants

ESV Chartered Accountants



Tim Valtwies
Partner

Directors' Declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

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



Stuart Brown
Managing Director
14 April 2011

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Condensed Consolidated Statement of Comprehensive Income

For the Half-Year Ended 31 December 2010

		Consolidated	
		6 months to 31 December 2010 \$'000	6 months to 31 December 2009 \$'000
	Note		
Fund / Asset Management Income		404	1,218
Property Services Income		1,538	1,411
Property Rental Income		7,753	7,184
Investment Income		181	118
Gain / (loss) on disposal of assets		27	(15)
Share of profit of associates		15	25
Gain / (loss) on exchange differences		(12)	14
Total revenue		9,906	9,955
Business operating expenses		(2,596)	(2,446)
Property outgoings		(2,323)	(1,858)
Finance costs		(3,790)	(3,421)
Unrealised gains/(loss) on revaluation of assets		(346)	980
Other expenses		(91)	(117)
Profit before income tax		760	3,093
Income tax (expense) / benefit	2	(1,558)	(1,042)
(Loss) / Profit for the period		(798)	2,051
Other comprehensive income			
Foreign currency translation		(3)	5
Gains/(loss) on available for sale investments taken to equity		(4,961)	-
Income tax items of other comprehensive income		434	-
Other comprehensive income for the period		(4,530)	5
Total comprehensive income for the period		(5,328)	2,057
(Loss) / Profit attributable to:			
Owners of the parent		(799)	2,048
Non-controlling interests		1	3
		(798)	2,051
Total comprehensive income attributable to:			
Owners of the parent		(5,329)	2,054
Non-controlling interests		1	3
		(5,328)	2,057
Earnings Per Share:			
Continuing operations:			
Basic earnings per share		(0.01)	0.01
Diluted earnings per share		(0.01)	0.01

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Condensed Consolidated Statement of Financial Position

For the Half-Year Ended 31 December 2010

	Note	31 December 2010 \$'000	30 June 2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		529	2,074
Trade and other receivables		623	1,184
Current tax receivable/(payable)		209	(193)
Other financial assets	3	91,728	7,605
Other assets		9	327
Total current assets		93,098	10,998
Non-current assets			
Equity accounted investments		2,249	2,258
Other financial assets	3	104	104
Property, plant and equipment		589	355
Investment properties	4	32,150	198,000
Deferred tax assets		34	1,235
Intangible assets	5	3,644	3,647
Total non-current assets		38,770	205,599
TOTAL ASSETS		131,868	216,596
LIABILITIES			
Current liabilities			
Trade and other payables		2,335	3,225
Property borrowings	4	10,500	10,500
Financial liabilities		115	650
Other borrowings		450	500
Provisions		126	180
Total current liabilities		13,526	15,055
Non-current liabilities			
Property borrowings	4	8,000	85,500
Other financial liabilities		5,715	6,270
Provisions		3	6
Total non-current liabilities		13,718	91,776
TOTAL LIABILITIES		27,244	106,831
NET ASSETS		104,624	109,765
EQUITY			
Share capital	8	87,737	87,551
Reserves		(4,568)	(38)
Retained earnings		20,571	21,369
Parent interest		103,740	108,882
Non-controlling interest		884	883
TOTAL EQUITY		104,624	109,765

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

Pelorus Property Group Ltd and Controlled Entities

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Condensed Statement of Changes in Equity

For the Half-Year Ended 31 December 2010

	Consolidated						
	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 2009	84,735	14,357	1	(43)	99,050	228	99,278
Total comprehensive income attributable to members of the Group	-	7,132	-	-	7,132	664	7,796
Revaluation increment (decrement)	-	-	(1)	-	(1)	-	(1)
Difference arising on disposal of interest in RASP 2 Pty Ltd	-	(18)	-	-	(18)	(9)	(27)
Changes as a result of additional interests acquired	-	(102)	-	-	(102)	-	(102)
Issue of options under employee share based payment	6	-	-	-	6	-	6
Issue of shares	2,820	-	-	-	2,820	-	2,820
Cost of issuing equity	(10)	-	-	-	(10)	-	(10)
Difference in opening balance due to foreign exchange difference on foreign entity	-	-	-	5	5	-	5
Balance at 30 June 2010	87,551	21,369	-	(38)	108,882	883	109,765
Loss for the period	-	(798)	-	-	(798)	1	(797)
Other comprehensive income for the period	-	-	(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

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

Pelorus Property Group Ltd and Controlled Entities

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Condensed Statement of Changes in Equity

For the Half-Year Ended 31 December 2010

	6 months to 31 December 2010 \$'000	6 months to 31 December 2009 \$'000
Cashflows from operating activities:		
Receipts from customers	11,395	10,665
Payments to suppliers and employees	(5,155)	(6,217)
Dividends and distributions received	33	112
Interest paid	(3,785)	(3,414)
Interest received	21	65
Income tax paid	(121)	(46)
Net cash provided by (used in) operating activities	2,388	1,165
Cash flows from investing activities:		
Proceeds from sale of investments	809	393
Purchase of land	(1,851)	-
Acquisition of property, plant and equipment	(285)	(80)
Acquisition of other investments	(1,338)	4
Development of investment properties	(1,743)	(2,380)
Acquisition of subsidiaries, net of cash acquired	-	(115)
Deposits paid	-	(185)
Loans acquired and repaid	623	-
Loans to related parties	(1,339)	(120)
Net cash provided by (used in) investing activities	(5,124)	(2,484)
Cash flows from financing activities:		
Payments for share buy backs	(6)	-
Proceeds from borrowings	1,499	-
Repayment of borrowings	(50)	(75)
Net cash provided by (used in) financing activities	1,443	(75)
Net decrease in cash and cash equivalents	(1,293)	(1,394)
Cash on 1 July 2010	2,074	3,181
Decrease in cash as a result of change in BQF accounting treatment	(255)	-
Effect of exchange rates on cash holdings	3	17
Cash on hand 31 December 2010	529	1,803

Pelorus Property Group Ltd and Controlled Entities

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Condensed Statement of Changes in Equity

For the Half-Year Ended 31 December 2010

1 Statement of Significant Accounting Policies

Statement of compliance

The condensed consolidated half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of 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 2010 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 14 April 2011.

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 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 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 Group's 2010 annual financial report for the financial year ended 30 June 2010, 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

Treatment of Investment in The Bakehouse Quarter

On 22 December 2010 Pelorus Shareholders approved a demerger of the Group (the Demerger). The Demerger was detailed in the Explanatory Memorandum released to the shareholders on 18 November 2010 and approved by shareholders at an Extraordinary Meeting on 22 December 2010. Under the terms of the Demerger the Group's investment in the Bakehouse Quarter changes significantly from a direct interest in real estate (secured by way of a mortgage) to an interest in the development of the Bakehouse Quarter pursuant to a development agreement. In addition, under the Demerger, shareholders approved resolutions to distribute the Group's interests in the Bakehouse Quarter to its shareholders subject to ATO approval.

As a result of the terms of the Demerger transactions, the Group's investment in the Bakehouse Quarter is recognised in these financial statements as an Available for Sale Financial Asset rather than an Investment Property.

Pelorus Property Group Ltd and Controlled Entities

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Condensed Statement of Changes in Equity

For the Half-Year Ended 31 December 2010

1 Statement of Significant Accounting Policies (Continued)

Subsequent to initial recognition, the asset is measured at fair value, and any unrealised gains or losses as a result of changes in fair value are recognised in equity.

Comparative information has not been reinstated for all periods included in these condensed interim financial statements.

New, revised or amending Standards and Interpretations that are first effective in the current reporting period:

The Group has adopted all of the new, revised or amending Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant and effective for the current reporting period.

Any significant impact on the accounting policies of the Group from the adoption of these accounting standards and interpretations are disclosed in the relevant accounting policy.

The adoption of these Standards and Interpretations did not have any impact on the financial performance or position of the Group. The following Standards and Interpretations are most relevant to the Group:

AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 January 2010. These amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main change is the removal of specific guidance on classifying land as a lease in AASB 117 'Leases', which may result in more land leases being classified as finance leases. The adoption of these amendments from 1 July 2010 did not have a material impact on the Group.

Pelorus Property Group Ltd and Controlled Entities

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Condensed Statement of Changes in Equity

For the Half-Year Ended 31 December 2010

2 Income Tax Expense

	Note	31 December 2010 \$'000	31 December 2009 \$'000
(a) The components of tax expense comprise:			
Current tax		(108)	317
Deferred tax asset write down *		1,666	725
Total income tax expense/(benefit)		<u>1,558</u>	<u>1,042</u>

* 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.

3 Current Financial Assets

	Note	31 December 2010 \$'000	30 June 2010 \$'000
(a) Current Financial Assets			
Held for trading	2(c)	6,542	5,742
Available for sale	5	81,415	0
Loans and receivables	2(d)	3,771	1,863
		<u>91,728</u>	<u>7,605</u>
(b) Non Current Financial Assets			
Other financial assets		104	104
		<u>104</u>	<u>104</u>

On 22 December 2010 Pelorus Shareholders approved a demerger of the Group (the Demerger). The Demerger was detailed in the Explanatory Memorandum released to the shareholders on 18 November 2010. Under the terms of the Demerger the Group's investment in the Bakehouse Quarter changes significantly from a direct interest in real estate (secured by way of a mortgage) to an interest in the development of the Bakehouse Quarter pursuant to a development agreement. In addition, under the Demerger, shareholders approved resolutions to distribute the Group's interests in the Bakehouse Quarter to its shareholders subject to ATO approval.

Given the commitment of the Group to distribute its interests in the Bakehouse Quarter it is no longer reasonable for the Group to recognise the assets and liabilities of the Bakehouse Quarter individually on the Group's Statement of Financial Position. As a result the investment property and related borrowings and other assets and liabilities have been removed. The Group's investment in the Bakehouse Quarter has been reclassified as an Available for Sale Financial Asset.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Condensed Statement of Changes in Equity

For the Half-Year Ended 31 December 2010

3 Current Financial Assets (Continued)

	Note	31 December 2010 \$'000	30 June 2010 \$'000
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(c) Held for Trading Financial Assets

Listed securities		1,557	683
Units in related party unlisted unit trusts		4,985	5,059
		<u>6,542</u>	<u>5,742</u>

(d) Loans and Receivables

Loans and receivables to related parties		3,619	1,728
Loans and receivables to non related parties		152	135
		<u>3,771</u>	<u>1,863</u>

4 Investment Properties and Property Borrowings

	Bakehouse Quarter \$'000	Penrith \$'000	The Woods at Villawood \$'000	Total \$'000
Value at 30 June 2010	165,000	16,500	16,500	198,000
Capital Improvements	1,540	-	201	1,741
Purchase of additional land	1,947	-	-	1,947
Straight-line lease receivable	-	5	2	7
Revaluation increase/ (decrease)	-	(5)	(1,053)	(1,058)
Removal of Bakehouse Quarter due to change in accounting treatment	(168,487)	-	-	(168,487)
Investment property fair value at 31 December 2010	<u>-</u>	<u>16,500</u>	<u>15,650</u>	<u>32,150</u>

	Bakehouse Quarter \$'000	Penrith \$'000	The Woods at Villawood \$'000	Total Dec 2010 \$'000	Total June 2010 \$'000
Property borrowings	-	(10,500)	(8,000)	(18,500)	(96,000)
Other financial liabilities	-	(5,715)	-	(5,715)	(5,715)
Net property equity	-	285	7,650	7,935	96,285
Property debt to value ratio	-	64%	51%	58%	48%

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Condensed Statement of Changes in Equity

For the Half-Year Ended 31 December 2010

4 Investment Properties and Property Debt (Continued)

Following the approval of the Demerger the nature of the Group's investment in the Bakehouse Quarter changed. Given the commitment of the Group to distribute its interests in the Bakehouse Quarter Fund (BQF) to its shareholders (subject to ATO approval), recognising the assets and liabilities of the Bakehouse Quarter individually on the Group's Statement of Financial Position is not an accurate reflection of the Group's functional position. As a result, the Group's investment in BQF is now reclassified as an Available for Sale Financial Asset, rather than an investment property.

The Penrith property is a bulky goods retail centre known as 120 Mulgoa Road, Penrith, Sydney. The property was independently valued at 31 July 2010 at \$16.5 million that reflects an initial yield of 9.1%. The debt secured against the property matures in May 2011 and is fully drawn at \$10.5 million. Other Financial Liabilities refers to the interests in the property of the Pelorus Penrith Fund No.2. (PPF2). PPF2 is a hybrid property investment vehicle with a \$6 million 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 Borrowings plus Other Financial Liabilities) will accrue to the Group.

It is management's belief that the independent valuation methodologies adopted on the above property reflects a prevailing negative property market sentiment. However management also considers that if the property were put to market it may achieve a price that is significantly higher than that calculated by the independent valuation methodologies adopted.

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.. The debt secured against the property is due to mature in September 2012 and is fully drawn at \$8 million. The current fair value of \$15.650 million is a directors' valuation that reflects a capitalisation rate of 9%.

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.

5 Intangible Assets

	Consolidated	
	31 December 2010	30 June 2010
	\$'000	\$'000
Goodwill		
Goodwill on consolidation	3,964	3,964
Accumulated impairment losses	(357)	(357)
Balance at the end of the interim period	3,607	3,607
Capitalised borrowing costs		
Cost	37	40
Balance at the end of the interim period	37	40
Total intangibles at the end of the interim period	3,644	3,647

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Condensed Statement of Changes in Equity

For the Half-Year Ended 31 December 2010

6 Available for Sale Financial Asset

	Consolidated	
	31 December 2010	30 June 2010
	\$'000	\$'000
At Fair Value:		
Bakehouse Quarter Mortgage	81,415	-
	<u>81,415</u>	<u>-</u>

Following the approval of the Demerger the nature of the Group's investment in the Bakehouse Quarter changed. Given the commitment of the Group to distribute its interests in the Bakehouse Quarter Fund (BQF) to its shareholders (subject to ATO approval), recognising the assets and liabilities of the Bakehouse Quarter individually on the Group's Statement of Financial Position is not an accurate reflection of the Group's functional position. As a result, the Group's investment in BQF is now reclassified as an Available for Sale Financial Asset, rather than an investment property.

If approval from the ATO is granted, the following items will be removed from the Group's Statement of Comprehensive Income and Statement of Financial Position.

Statement of Comprehensive Income

Property income	6,031
Unrealised gains on revaluation of interest rate hedges	865
Total Income	<u>6,896</u>
Finance expenses	2,750
Property outgoing	1,747
Business operating expenses	354
Total Expenses	<u>4,851</u>
Profit before tax and other comprehensive income	<u>2,045</u>

Statement of Financial Position

Other Financial Assets	81,415
	<u>81,415</u>

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Condensed Statement of Changes in Equity

For the Half-Year Ended 31 December 2010

7 Current Assets Held for Distribution

(a) BlackWall Subsidiaries

On 7 February 2011 the shares of BlackWall Property Funds Limited (BlackWall) were distributed to Group shareholders on a 1 for 10 basis. BlackWall is the owner of a number of Group subsidiaries. As a result the following entities have now left the Pelorus Group:

- TFML Limited
- Pelorus Management Services Pty Ltd
- DDT Projects Pty Ltd
- Pelorus Management (NZ) Limited
- Capital Storage Services Pty Ltd

The items that would have been removed from the Group's Statement of Comprehensive Income and Statement of Financial Position are as follows. Excluded from these items are any transactions that were eliminated on consolidation and hence did not appear in the Group's results. As a result the items below are not comparable to the BlackWall Property Funds Limited forecast as disclosed in the Replacement Prospectus dated 19 November 2010.

Statement of Comprehensive Income

Fund/asset management income	404
Property services income	1,537
Total Income	1,941
Business operating expenses	1,621
Total Expenses	1,621
Profit before tax and other comprehensive income	320

Statement of Financial Position

Current Assets

Cash and receivables	281
Total Current Assets	281

Non Current Assets

Financial assets	8,174
Property, plant and equipment	500
Other assets	150
Total Non Current Assets	8,824
Total Assets	9,105

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Condensed Statement of Changes in Equity

For the Half-Year Ended 31 December 2010

7 Current Assets Held for Distribution (Continued)

Current Liabilities

Trade and other payables	186
Borrowings	450
Provisions	123
Total Current Liabilities	759

Total Liabilities	759
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Net Assets	8,346
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8 Issued Capital

(a) Summary Table

	Consolidated	
	31 December	30 June
	2010 \$'000	2010 \$'000
381,720,594 (30 June 2010: 379,564,893) Ordinary	87,737	87,551
Total issued capital	87,737	87,551

(b) Movement in shares on issue

	Consolidated	
	31 December	30 June
	2010 No.	2010 No.
At the beginning of reporting period	379,564,893	364,593,893
Shares issued during the year:		
Employee Share Scheme	-	125,000
Issued for acquisition of Pelorus Pub Fund units	-	14,846,000
Unmarketable parcel buy back	(40,899)	-
Replacement shares for options to directors and key management personnel, and Staff Bonus shares	2,196,600	-
At reporting date	381,720,594	379,564,893

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.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Condensed Statement of Changes in Equity

For the Half-Year Ended 31 December 2010

9 Dividends

(a) Dividends

Dividends paid

	Consolidated			
	6 months to		6 months to	
	31 December 2010		31 December 2009	
	\$'000		\$'000	
	Cents per		Cents per	
	share	\$	share	\$
Payment of interim fully franked ordinary dividend	-	-	-	-
Total Dividends	-	-	-	-

10 Capital Commitments

No capital commitments were in existence as at 31 December 2010.

11 Contingent Liabilities and Contingent Assets

In May 2010 MacarthurCook Fund Management Limited as Responsible Entity of MacarthurCook Properties Securities Fund (MPS) commenced legal proceedings to recover an alleged debt from RFML Limited (RFML). RFML is the responsible entity of the RP Trust (formerly Reed Property Trust) and was acquired by Pelorus in June 2009.

The alleged debt relates to investments in the RP Trust (the Trust) made by MPS beginning early 2007. MPS holds 22.6 million units in the Trust 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 Trust and RFML dispute the alleged debt and are defending the proceedings. The matter is through its discovery phase and MPS has tendered its evidence.

Management is 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 the Trust.

There are no other contingent liabilities or contingent assets as at 31 December 2010 which require disclosure in the financial statements.

Pelorus Property Group Ltd and Controlled Entities

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Condensed Statement of Changes in Equity

For the Half-Year Ended 31 December 2010

12 Subsequent Events

As a result of the Demerger outlined in the directors report, and throughout the interim financial report the principal activities of the Group have changed.

As a result of the Demerger Pelorus has:

- Changed its name to Pelorus Private Equity Limited (completed January 2011)
- Delisted from the Australian Stock Exchange (completed 7 January 2011)
- Transferred the operating businesses into the newly formed BlackWall Property Funds Limited and distributed to shareholders (completed 7 February 2011)

The Group will distribute its interests in the Bakehouse Quarter Fund to its shareholders once approval for Demerger Relief has been received from the ATO.

13 Group Details

Principal place of business

The principal place of business of the Group is:

Pelorus Property Group Ltd and Controlled Entities

Level 1, 50 Yeo Street

Neutral Bay NSW 2089