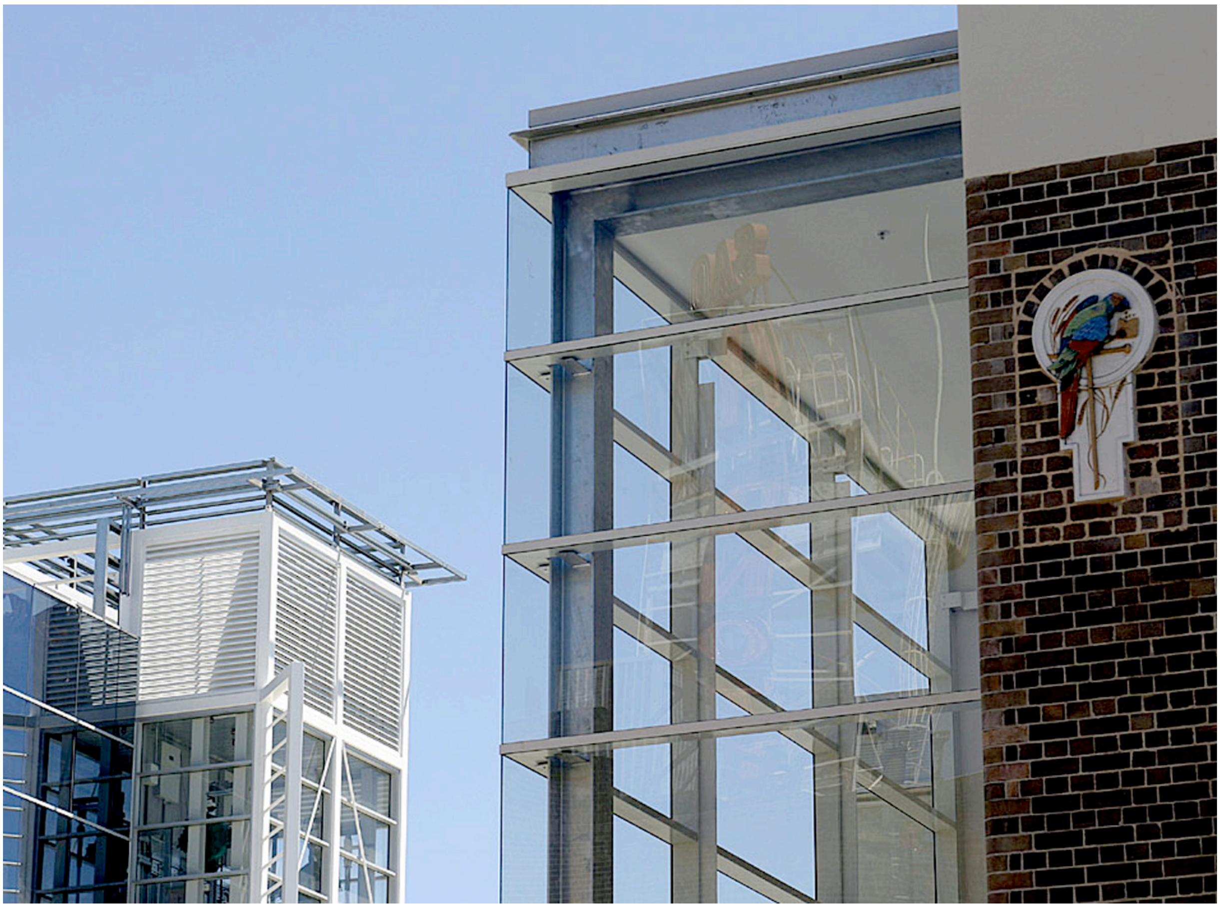
AND CONTROLLED ENTITIES

ANNUAL REPORT

Financial Year Ending 30 June 2006



Pelorus Property Group Limited

ABN 45 091 209 639

Level 3, 50 Yeo Street, Neutral Bay NSW 2089
PO Box 612, Neutral Bay NSW 2089
Phone: (02) 9033 8611
Fax: (02) 9033 8600
Web: www.pelorus.com.au

CONTENTS

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2006

Your directors present their report for the company and controlled entities for the financial year ended 30 June 2006.

INFORMATION ON DIRECTORS

The names of the directors in office at any time during or since the end of the year are set out below. Unless otherwise stated, directors have been in office since the start of the financial year to the date of this financial report.

Name	Special Experience	Responsibilities
Seph Glew	Qualified Valuer; past senior management positions with a major finance and property management group.	Executive Chairman.
Stuart Brown	Qualified Solicitor; substantial legal experience in the areas of property and infrastructure acquisitions, sale and leasing, mergers and acquisitions, and listing of entities on the ASX.	Executive Director – Funds Management and Company Secretary.
Guy Wynn	Considerable experience in retail management, leasing, development and strategic planning. Past senior management experience in both property development and management businesses.	Executive Director – Property Services.
Paul Tresidder	Considerable experience in retail management, leasing, development and strategic planning. Past senior management experience in both property development and management businesses.	Non-Executive Director. (Appointed 23 September 2005)
Robin Tedder	27 years in investment and financial markets; member of ASX for 12 years; served on boards of companies in the financial industry.	Non-Executive Director. (Appointed 23 September 2005)
Richard Hill	Qualified Solicitor, considerable experience in the banking and finance industry both in Australia and overseas. Current board member for a number of Australian listed companies.	Independent Non-Executive Director. (Appointed 20 July 2006)

DIRECTORS MEETING ATTENDANCES

There were 10 meetings of the company's directors held during the financial year. All directors attended all meeting for which they were eligible.

DIRECTORS INTERESTS

As at the date of this report the directors' relevant interests in shares or options in the company are:

Director	Shares ('000)	Shares (%)	Options ('000)
Seph Glew	14,638	15.91%	2,660
Stuart Brown	3,300	3.59%	600
Guy Wynn	7,704	8.31%	1,400
Paul Tresidder	14,630	15.90%	2,660
Robin Tedder	7,920	8.61%	4,440

PRINCIPAL ACTIVITIES

The company and its controlled entities' principle activities are the generation of fee income from the provision of integrated property services to private and institutional commercial and retail property owners. This activity is broken into two business units being Property Services and Funds Management Structured Finance.

RESULTS AND REVIEW OF OPERATIONS

The profit of the consolidated entity for the financial year after providing for income tax amounted to $1,677,148 (2005 profit attributable to parent: $18,049).

DIVIDENDS PAID

An interim fully franked dividend of $152,250 was paid on 31 August 2005 to shareholders on the register as at 30 June 2005. A final fully franked dividend of $1,500,000 was proposed as set out in note 6 of the financial statements and was paid on 31 August 2006.

STATE OF AFFAIRS

As at 30 June 2005 Pelorus's share capital comprised 75,000 ordinary shares held by entities associated with the directors. The directors as at 30 June 2005 were Seph Glew, Robin Tedder and Stuart Brown. On the 1 July 2005 Pelorus acquired its current controlled entities and issued an additional 125,000 ordinary shares in relation to that transaction. In addition Guy Wynn and Paul Tresidder joined the board of directors.

On 5 June 2006 Pelorus lodged a prospectus with ASIC in relation to the offer of 48 million shares at an issue price of $0.50 to raise $24 million. The IPO was fully underwritten by Southern Cross Equities Limited.

The terms of IPO and detailed information on Pelorus are contained in the prospectus, a copy of which, can be downloaded at ***www.pelorus.com.au*** or requested by phoning **1 800 789 141.**

SUBSEQUENT EVENTS

The offer of shares in the company described above closed over subscribed on 7 July 2006. In contemplation of the company listing on the ASX shareholders as at 30 June 2006 (Founding Shareholders) were issued 43.8 million bonus ordinary shares followed by the allotment of 48 million new ordinary shares to successful applicants in the IPO. In addition Southern Cross Equities and the Founding Shareholders were issued at total of 8,920,000 options over ordinary shares. The company commenced trading on ASX on 20 July 2006. On the listing date Richard Hill joined the board of directors.

FUTURE DEVELOPMENTS AND RESULTS

On 4 September 2006 Pelorus announced the successful negotiation of a lease to AMF Bowling Centres (a subsidiary of Macquarie Leisure Trust Group) in relation to its ASX listed Bakehouse Quarter Fund (ASX code BQF). The premises is to be developed into Australia's largest tenpin bowling centre over approximately 3,500 sqm combining bowling lanes with private corporate areas and a bar and grill concept. This stage of the development is to be funded by a mixture of bank debt and equity. As a consequence of the scrip for scrip transaction completed in the restructure of the fund in December 2005 BQF holds 2,360,840 units in itself. The directors have resolved to offer these units to the market by way of a book build tender. Pelorus will support the offer at a price of $3.50 per unit.

In January 2006 the company was mandated to undertake a PIPES transaction with respect to 3 self-storage facilities located in the ACT region valued at $14.9 million. In June 2006 the company established the Pelorus Storage Fund (ARSN 120 024 713) to undertake the transactions. Pelorus Storage Fund expects to settle the transaction and commence trading on 3 October 2006.

In addition, the company has commenced documentation with respect to a restructure of its first fund, the Pelorus PIPES – Penrith Fund (ARSN 094 317 441). Under this restructure the Fund will return investors' capital and pay all due bonuses early. The company will then structure a new fund to offer investors the opportunity to reinvest in the property on new terms for a further 7-year term. The directors expect this transaction to be completed by the end of the 2006 calendar year.

OPTIONS

As at the date of this report the company has granted the options shown in the table below over ordinary shares. The options expire 5 years form the listing date (20 July 2006) and are exercisable at 135% of the listing price of $0.50. The table below shows the listed party's relevant interest in options.

Entity/Individual	Options ('000)
Seph Glew	2,660
Stuart Brown	600
Guy Wynn	1,400
Paul Tresidder	2,660
Robin Tedder	4,440
Interests associated with Southern Cross Equities Limited*	920

** The underwriter of the initial public offer or shares in the company.*

The company has adopted an Employee Share Option Plan and an Employ Share Bonus Plan. As at the date of this report no options or shares have been allotted under these schemes.

ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those AIFRS standards contained in Note 2 to this report. On adoption of AIFRS there was no impact on total equity or profit after tax as previously reported under Australian Generally Accepted Accounting Principles ('AGAAP').

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 the financial report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entities operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or a Territory.

INDEMNITIES OF OFFICERS

During the financial period the company has paid premiums to insure each of the directors named in this report along with officers of that company against all liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or Officer of the company, other than conduct involving a willful breach of duty in relation to the Responsible Entity. The amount of the premium was $10,000**.**

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor to the company.

Signed in accordance with a resolution of Directors.

____
Stuart Brown, Executive Director

Dated at Sydney the 29th day of September 2006.

ADDITIONAL INFORMATION

Corporate Governance

The directors monitor the business affairs of the company on behalf of shareholders with a specific focus on the profitability of the business activities and the efficiency of its managers. In keeping with this consideration board positions are held by a majority of members who are significant shareholders. The board is structured to ensure the efficient interaction with between the board and management. Specifically the board structure is as follows:

Executive Board Members	Seph Glew (Chairman) Stuart Brown Guy Wynn
Non – Executive Board Members	Paul Tresidder Robin Tedder
Independent Board Member	Richard Hill

In addition the board is focused on accountability, risk management and the ethical conduct of business. In this regard the board has established the following sub-committees:

Audit Committee	Robin Tedder (Chairman) Richard Hill
Related Party Transactions Committee	Richard Hill (Chairman) Seph Glew
Investment Committee	Seph Glew Robin Tedder
Remuneration Committee	The board notes that the remuneration and recruitment of key executives and staff are issues, which are fundamental to the performance of the company. As a consequence the board has resolved that this issue will, when required, form part of the board meeting agenda for consideration by all board members.

Each of these committees were established after the reporting period relevant to this report. The Audit Committee and the Related Party Transactions Committee were not, as at the date of this report, formally mandated. The is board currently awaiting formal mandate documentation to be completed. As a consequence the financial report, which accompanies this report, was not reviewed by the Audit Committee but were complied and reviewed by Stuart Brown (CFO) and Seph Glew (Executive Chairman).

In its capacity as a responsible entity of Managed Investment Schemes the company has convened a compliance committee to report to the board on compliance systems with respect to its registered schemes. The committee has a majority of independent members and an independent chair. The company's compliance practices and procedures with respect to its registered schemes are subject to external audit.

Good Corporate Governance and Best Practice Recommendations

During the financial reporting period the company was an unlisted public company and as such had not formally adopted the Principles of Good Corporate Governance and Best Practice Recommendations (the Recommendations) established by the Corporate Governance Council with respect to all of its activities. The board has resolved to adopt a corporate governance structure, which is consistent with the Recommendations with resect to all activities.

Shareholders

As at 1 September 2006 the company's top 20 shareholders were:

	Investor	('000)	%
1	SENO MANAGEMENT PTY LTD	11,550	12.55%
2	LYMKEESH PTY LTD	11,550	12.55%
3	CASTLEBAY PTY LTD	7,700	8.37%
4	SUNBEAM OPPORTUNITIES LIMITED	6,500	7.07%
5	KOONTA PTY LTD	5,500	5.98%
6	NATIONAL NOMINEES LIMITED	4,508	4.90%
7	FROGSTORM PTY LTD	3,300	3.59%
8	INVIA CUSTODIAN PTY LIMITED	3,000	3.26%
9	VALVIEW PTY LTD	2,420	2.63%
10	ANZ NOMINEES LIMITED	2,215	2.41%
11	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,000	2.17%
12	SIERRA BAY PTY LTD	2,000	2.17%
13	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	1,500	1.63%
14	OLD BEAR PTY LTD	1,320	1.44%
15	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	1,117	1.21%
16	INVIA CUSTODIAN PTY LIMITED	1,050	1.14%
17	BALPINA PTY LTD	1,000	1.09%
18	GURRAVEMBI INVESTMENTS PTY LTD	800	0.87%
19	SAO INVESTMENTS PTY LTD	660	0.72%
20	UBS NOMINEES PTY LTD	600	0.65%

As at 1 September 2006 the directors' relevant interest in shares in the company were:

Director	('000)	%
Seph Glew	14,638	15.91%
Stuart Brown	3,300	3.59%
Guy Wynn	7,704	8.31%
Paul Tresidder	14,630	15.90%
Robin Tedder	7,920	8.61%

As at 1 September 2006 the substantial shareholders in the company were:

Investor	('000)	%
SENO MANAGEMENT PTY LTD	14,638	15.91%
LYMKEESH PTY LTD	14,630	15.90%
CASTLEBAY PTY LTD	7,704	8.37%
SUNBEAM OPPORTUNITIES LIMITED	6,500	7.07%
KOONTA PTY LTD	7,920	8.61%

As at 1 September 2006 the distribution of shareholders by size of holding was:

Category	No. of Holders
1-1,000	8
1,001-5,000	132
5.001-10,000	185
10,001-100,000	240
100,001 and over	60
Total number of shareholders	**625**

The company has 92,000,000 ordinary shares on issue. All shares carry one vote per share without restrictions. All shares are quoted on the Australian Stock Exchange (stock code PPI).

Pelorus Details

Stuart Brown is the Pelorus Property Group Ltd company secretary. The company's details are as follows:

Registered Office	Level 4 222 Clarence Street Sydney NSW 2000
Principle Place of Business	Level 3 50 Yeo Street Neurtal Bay NSW 2000
Telephone	02 9033 8611
Fax	02 9033 8600
Website	www.pelorus.com.au
Registry	Registries Limited Level 2 28 Margaret Street Sydney NSW 2000 www.registriesltd.com.au

PELORUS PROPERTY GROUP LTD ("THE COMPANY")

ABN 45 091 209 639

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 year ended 30 June 2006 there have been:

(i) no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney the 29th day of September 2006.

EINFELD SYMONDS VINCE
Chartered Accountants

CHRISTOPHER KIRKWOOD
Partner

PARTNERS
ROBERT SYMONDS
GEOFFREY VINCE
MARK WATERHOUSE
CARMEN McLOUGHLIN
IAN MACKEY
KURT BAKER
CHRIS KIRKWOOD
BENJAMIN RYAN
WESTON RYAN
MAREE GALLAGHER
CONSULTANT
GRAHAM EINFELD

LEVEL 18, CITY CENTRE, 55 MARKET STREET, SYDNEY NSW 2000
T: +61 2 9283 1666 F: +61 2 9283 1866 E: admin@einfelds.com.au
www.einfelds.com.au

EINFELD SYMONDS VINCE
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PELORUS PROPERTY GROUP LTD ("THE COMPANY")

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for Pelorus Property Group Ltd and the consolidated entity for the year ended 30 June 2006.

The directors of the company are responsible for preparing a financial report that gives a rue and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

PARTNERS
ROBERT SYMONDS
GEOFFREY VINCE
MARK WATERHOUSE
CARMEN McLOUGHLIN
IAN MACKEY
KURT BAKER
CHRIS KIRKWOOD
BENJAMIN RYAN
WESTON RYAN
MAREE GALLAGHER
CONSULTANT
GRAHAM EINFELD

LEVEL 18, CITY CENTRE, 55 MARKET STREET, SYDNEY NSW 2000
T: +61 2 9283 1666 F: +61 2 9283 1866 E: **admin@einfelds.com.au**
www.einfelds.com.au

A member of TIAG
The International Accounting Group (TIAG) is a worldwide network of independent, quality accounting firms.

Liability limited by a scheme approved under Professional Standards Legislation.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial report. The provision of these services has not impaired our independence.

In accordance with ASIC Class Order 05/83, we declare the best of our knowledge and belief that the auditor's independence declaration, following the Director's Report, has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion, the financial report of Pelorus Property Group Ltd is in accordance with:

(a) The Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2006 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) Other mandatory professional reporting requirements in Australia.

Dated at Sydney the 29th day of September 2006.

EINFELD SYMONDS VINCE
Chartered Accountants

CHRISTOPHER KIRKWOOD
Partner

PELORUS PROPERTY GROUP

PELORUS PROPERTY GROUP LTD
ABN 45 091 209 639

DIRECTORS' DECLARATION

In accordance with a resolution of directors of Pelorus Property Group Ltd, I state that:

In the opinion of the directors:

1. the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date;
   (b) complying with Accounting Standards and Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Stuart Brown
Director
Pelorus Property Group Ltd

Dated at Sydney the 29th day of September 2006.

PELORUS PROPERTY GROUP LTD

ABN 45 091 209 639

AND CONTROLLED ENTITIES

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Parent	
		$	$	$	$
		2006	**2005**	**2006**	**2005**
Continuing operations					
Revenue					
Funds Management Fees		1,984,500	-	1,984,500	782,758
Property Management & Leasing Fees		3,908,990	-	-	-
Other Income	4(a)	22,673	-	450,000	-
Finance income	4(b)	78,503	-	78,503	33,726
Total Revenue		5,994,666	-	2,513,003	816,484
Salaries and employee benefits expense	4(c)	(2,293,737)	-	-	-
Depreciation expense		(135,849)	-	(7,485)	(5,258)
Administration and Occupancy		(516,554)	-	(18,959)	(50,000)
Fees and commissions		(711,385)	-	(633,637)	(631,115)
Insurance		(45,050)	-	(14,243)	(47,453)
Loss on disposal of investments		-	-	-	(4,142)
Other expenses from ordinary activities		(15,723)	-	(15,000)	(52,077)
Profit from continuing operations before			-		
tax and finance costs		2,276,368		1,823,679	26,439
Finance costs		(7,174)	-	(379)	(655)
Profit before income tax		2,269,194	-	1,823,300	25,784
Income tax expense	5	(592,046)	-	(323,503)	(7,735)
Profit after tax from continuing operations		1,677,148	-	1,499,797	18,049
Profit attributable to members of the parent		1,677,148	-	1,499,797	18,049

Earnings per share (cents per share)	
- basic profit for year	0.04
- diluted profit for year	0.04
- dividends per share (interim)*	2.03
- dividends per share (final)	0.03

* Based on shareholding as at 1 July 2005 (issued capital of 75,000 shares).

PELORUS PROPERTY GROUP LTD
ABN 45 091 209 639
AND CONTROLLED ENTITIES

BALANCE SHEET
AS AT 30 JUNE 2006

	Note	Consolidated		Parent	
		$	$	$	$
ASSETS		**2006**	**2005**	**2006**	**2005**
CURRENT ASSETS					
Cash and cash equivalents	7	671,736	-	465,705	173,777
Trade and other receivables	8	120,566	-	773,500	41,961
Other financial assets	9	3,273,351	-	3,273,351	-
TOTAL CURRENT ASSETS		4,065,653	-	4,512,556	215,738
NON-CURRENT ASSETS					
Property, plant and equipment	10	182,573	-	-	7,485
Other financial assets	9	140,015	-	344,401	208,082
Tax assets	5	57,790	-	57,790	-
Intangibles	11	188,132	-	-	-
TOTAL NON-CURRENT ASSETS		568,510	-	402,191	215,567
TOTAL ASSETS		4,634,163	-	4,914,747	431,305
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	12	1,987,421	-	2,635,821	197,526
Provisions	13	1,656,708	-	1,500,000	-
Tax liabilities	14	577,727	-	577,727	5,127
TOTAL CURRENT LIABILITIES		4,221,856	-	4,713,548	202,653
NON-CURRENT LIABILITIES					
Provisions	13	33,757	-	-	-
TOTAL NON-CURRENT LIABILITIES		33,757	-	-	-
TOTAL LIABILITIES		4,255,613	-	4,713,548	202,653
NET ASSETS		378,550	-	201,199	228,652
EQUITY					
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
Issued capital	15	200,000	-	200,000	75,000
Retained earnings		178,550	-	1,199	153,652
TOTAL EQUITY		378,550	-	201,199	228,652

PELORUS PROPERTY GROUP

PELORUS PROPERTY GROUP LTD

ABN 45 091 209 639

AND CONTROLLED ENTITIES

CASH FLOW STATEMENT

AS AT 30 JUNE 2006

	Note	Consolidated		Parent	
		$	$	$	$
		2006	2005	2006	2005
Cash flows from operating activities					
Cash receipts in the course of operations		6,482,839	-	2,182,950	849,168
Cash payments in the course of operations		(4,125,269)	-	(826,098)	(704,915)
Interest received		78,503	-	78,503	33,726
Interest paid		(7,174)	-	(379)	(655)
Income tax paid		(76,854)	-	(50,696)	(10,112)
Net cash (used in) / provided by operating activities	7(b)	2,352,045	-	1,384,280	167,212
Cash flows from investing activities					
Payments for plant and equipment		58,266	-	-	-
Payments for investments		(44,949)	-	(44,949)	(4,174)
Proceeds from sale of investments		23,080	-	23,080	49,028
Loan to related party		(1,785,000)	-	(1,785,000)	-
Acquisition of subsidiaries, net of cash acquired		46,766	-	46,766	(140,489)
Net cash (used in)/provided by investing activities		(1,701,837)	-	(1,760,103)	(95,635)
Cash flows from financing activities					
Equity dividends paid		(152,250)	-	(152,250)	-
Loans from subsidiaries		-	-	820,000	-
Net cash (used in)/provided by financing activities		(152,250)	-	667,750	-
Net increase / (decrease) in cash held		497,958	-	291,927	71,577
Cash at the beginning of the financial year		173,778	-	173,778	102,201
Cash at the end of the financial year	7(a)	671,736	-	465,705	173,778

PELORUS PROPERTY GROUP LTD
ABN 45 091 209 639
AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Attributable to equity holders of the parent		
	Issued capital	**Retained earnings**	**Total**
CONSOLIDATED			
At 1 July 2004	-	-	-
Profit for the year	-	-	-
Equity dividends	-	-	-
At 30 June 2005	75,000	153,652	228,652
Issue of share capital	125,000	-	125,000
Profit for the year	-	1,677,148	1,677,148
Equity dividends	-	(1,652,250)	(1,652,250)
At 30 June 2006	200,000	178,550	378,550
PARENT			
At 1 July 2004	75,000	135,603	210,603
Profit for the year	-	18,049	18,049
Equity dividends	-	-	-
At 30 June 2005	75,000	153,652	228,652
Issue of share capital	125,000	-	125,000
Profit for the year	-	1,499,797	1,499,797
Equity dividends		(1,652,250)	(1,652,250)
At 30 June 2006	200,000	1,199	201,199

1 CORPORATE INFORMATION

The financial report for Pelorus Property Group Ltd and controlled entities for the year ended 30 June 2006 was authorised for issue in accordance with the resolution of the directors on 29 September 2006 .

Pelorus Property Group Ltd and its controlled entities are companies limited by shares, incorporated and domiciled in Australia.

The registered office and principal place of business of the Group is:
Level 3, 50 Yeo Street, Neutral Bay NSW.

Number of employees of the Group at reporting date is: 35 (2005 Parent : Nil)

The nature of the operations and the principal activities of the Group are described in Note 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for available for sale financial assets that have been measured at fair value.

The financial report is presented in Australian dollars unless otherwise stated.

The following is a summary of the material accounting policies adopted by the company in the preparation of this report. The accounting policies have been consistently applied unless otherwise stated.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2006 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report are detailed in Note 2(n).

(c) Basis of Consolidation

The consolidated accounts comprise the accounts of Pelorus Property Group Ltd and those controlled entities ("the Group') as mentioned in Note 19 to the accounts. A controlled entity is any entity controlled by Pelorus Property Group Ltd. Control exists where Pelorus Property Group Ltd has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Pelorus Property Group Ltd to achieve the objectives of Pelorus Property Group Ltd.

The financial statements of controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies.

All inter-company balances and transactions between the entities in the global entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the global entity during the year its operating results have been included from the date control was obtained or until the date control ceased.

(d) Property, Plant and Equipment

Basis of recognition

Property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation or amortisation and any impairment in value.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

Furniture and fittings - over 2 to 5 years
Plant & equipment - over 2 to 5 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement in the cost of sales line item.

(e) Goodwill

Goodwill on acquisition is recorded at cost being the excess of the cost of the business combination in the net fair value of the net identifiable assets, liabilities and contingent liabilities. Goodwill is not amortised.

Goodwill is reviewed for impairment annually. As at 30 June 2006, there is no indication that impairment exists.

(f) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(g) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(h) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Trade and other payables

Liabilities for trade creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the company at balance date. The majority of accounts payable is owed to one supplier from Israel.

(j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(k) Revenue

Revenue is recognised to the extent that is it probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Management Fees

Income from management fees in relation to PIPES managed investment schemes is recognised upon receipt, at which time it becomes legally due and payable to the company.

Revenue from property management is recognised upon raising an invoice.

Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial asset.

(l) Income Tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax rates) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Tax Consolidation

Pelorus Property Group Ltd intends to form a tax consolidated group with its wholly owned entities for income tax purposes under the tax consolidation regime.
The Group also intends to enter into a tax sharing agreement whereby each entity in the group will contribute to the income tax payable in proportion to their contribution to the taxable profit of the tax consolidated group.

(m) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(n) Impact of adoption of AIFRS

On adoption of AIFRS there was no impact on the total equity and profit after tax as reported under previous Australian Generally Accepted Accounting Principles (AGAAP).

Explanation of material adjustments to the cashflow statements.

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

3 SEGMENT REPORTING

The Group's primary reporting format is business segments. There is only one geographical segment being Australia.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves difference markets.

The funds management segment engages in property structured finance and funds management.

The property services segment engages in integrated property services including property management, leasing and general property consultancy.

Transfer prices between business segments are set at an arms length basis in a manner similar to transactions with third parties.

Business segments

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the year ended 30 June 2006.

	Funds Management	Property Services	Total
Year ended 30 June 2006			
Revenue			
Sales to external customers	1,984,500	3,908,990	5,893,490
Other revenues	78,503	22,673	101,176
Inter-segment sales	-	-	-
Total segment revenue	2,063,003	3,931,663	5,994,666
Inter-segment elimination			-
Total consolidated revenue			5,994,666
Result			
Segment result	1,375,149	901,219	2,276,368
Unallocated expenses	-	-	-
Finance costs	(379)	(6,795)	(7,174)
Profit before income tax			2,269,194
Income tax expense			(592,046)
Net profit for the year			1,677,148
Assets and liabilities			
Segment assets	3,270,217	1,363,764	4,633,981
Total assets			4,633,981
Segment liabilities	2,093,572	751,981	2,845,553
Unallocated liabilities			1,500,000
Total liabilities			4,345,553
Other segment information			
Capital expenditure	-	58,266	58,266
Depreciation	7,485	128,364	135,849

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Parent	
		$	$	$	$
		2006	2005	2006	2005
4 REVENUE AND EXPENSES					
(a) Other income					
Dividends received - subsidiaries		-	-	450,000	-
Profit on disposal of investments		5,782	-	-	-
Sundry income		16,891	-	-	-
		22,673	-	450,000	-
(b) Finance income					
Bank		56,117	-	56,117	33,726
Other		22,386	-	22,386	-
		78,503	-	78,503	33,726
(c) Salaries and employee benefits expense					
Wages and salaries		1,736,833	-	-	-
Payroll Tax		99,448	-	-	-
Superannuation costs		189,545	-	-	-
Workers compensation		23,446	-	-	-
Provision for employee entitlements		190,465	-	-	-
		2,239,737	-	-	-
5 INCOME TAX					
Major components of income tax expense for the years ended 30 June 2006 and 2005 are:					
Income statement					
Current income tax					
Current income tax charge		649,455	-	649,455	7,735
Deferred income tax					
Relating to origination and reversal of temporary differences		(57,409)	-	(57,409)	-
Amounts attributable to subsidiary members of the tax consolidations group		-	-	(268,723)	-
Income tax expense reported in income statement		592,046	-	323,323	7,735

	Note	Consolidated		Parent	
		$	$	$	$
		2006	2005	2006	2005
5 INCOME TAX (continued)					
A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2006 and 2005 is as follows:					
Accounting (loss) / profit before income tax		2,269,194	-	1,823,300	25,784
At the statutory income tax rate of 30% (2005: 30%)		680,758	-	546,990	7,735
Non deductible expenditure		589	-	814	-
Intercorporate dividend - non assessable		-	-	(135,000)	-
Section 40-880 write off		(89,301)	-	(89,301)	-
Income tax expense reported in income statement at 30% (2005 : 30%)		592,046	-	323,503	7,735
Deferred income tax					
Deferred income tax at 30 June 2006 relates to the following:					
<u>CONSOLIDATED</u>					
Deferred income tax assets					
Provision for employee benefits		57,790	-		
		57,790	-		
<u>PARENT</u>					
Deferred income tax assets					
Provision for employee benefits		57,790	-		
		57,790	-		
6 DIVIDENDS PAID AND PROPOSED					
Dividends paid or declared during the year:					
Interim franked dividend paid		152,250	-	152,250	-
Final franked dividend proposed		1,500,000	-	1,500,000	-
		1,652,250	-	1,652,250	-

	Note	Consolidated		Parent	
		$	$	$	$
		2006	2005	2006	2005
6 DIVIDENDS PAID AND PROPOSED (continued)					
Franking credit balance					
The amount of franking credits available for the subsequent financial year are:					
- franking account balance as at the end of the financial year at 30% (2005: 30%)		72,587	-	72,587	65,658
- transferred to head entity on formation of the tax consolidation group		17,393	-	17,393	-
- franking credits that will arise from the payment of income tax at the end of the financial year		577,727	-	577,727	251
The amounts of franking credits available for future reporting periods		667,707	-	667,707	65,909
7 CASH AND CASH EQUIVALENTS					
(a) Cash at bank		671,736	-	465,705	173,777
		671,736	-	465,705	173,777

Cash at bank earns interest at floating rates based on daily bank deposit rates.

(b) Reconciliation from the net profit after tax to the net cash flows from operations					
Net profit after tax		1,677,148	-	1,499,797	18,049
Adjustments for:					
Depreciation of plant and equipment		135,849	-	7,485	5,258
(Profit) / loss on disposal of investments		(5,782)	-	-	4,142
Changes in assets and liabilities					
(increase)/decrease in accounts receivable		(49,690)	-	(10,478)	-
(increase)/decrease in other debtors		(28,915)	-	(731,357)	(11,866)
(increase)/decrease in other assets		(192,737)	-	(22,319)	-
(increase)/decrease in prepayments		(1,488,351)	-	(1,488,351)	-
(increase)/decrease in deferred tax asset		(57,790)	-	(57,790)	-
increase/(decrease) in accounts payable		1,515,177	-	1,619,995	148,704
increase/(decrease) in other creditors		274,536	-	(5,302)	5,302
increase/(decrease) in income tax payable		572,600	-	572,600	(2,377)
Net cash from/(used in) operating activities		2,352,045		1,384,280	167,212

PELORUS PROPERTY GROUP

	Note	Consolidated		Parent	
		$	$	$	$
		2006	2005	2006	2005

8 TRADE AND OTHER RECEIVABLES

Trade debtors	60,168	-	22,386	10,478
Sundry debtors	60,398	-	59,110	31,483
Other receivables - subsidiaries	-	-	450,000	-
Intercompany tax receivable	-	-	242,004	-
	120,566	-	773,500	41,961

Trade receivables are non-interest bearing and are generally on 30 days terms.

9 OTHER FINANCIAL ASSETS

CURRENT				
Loan - related party	1,785,000	-	1,785,000	-
Prepayments	1,488,351	-	1,488,351	-
	3,273,351	-	3,273,351	-

Prepaid expenditure comprises of costs associated with the initial public offer which will be transferred to and will ultimately be reflected as a reduction of contributed equity for the year ending 30 June 2007.

NON CURRENT				
Investments - related entities	138,764	-	79,838	67,186
Investments - subsidiaries	-		264,156	140,489
Bonds and Deposits	1,251	-	407	407
	140,015	-	344,401	208,082

10 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED			*PARENT*		
	Fittings	*equipment*	*Total*	*Fittings*	*equipment*	*Total*
Year ended 30 June 2006						
At 1 July 2005, net of accumulated depreciation	62,301	129,053	191,354	-	7,485	-
Additions	5,990	52,276	58,266	-	-	-
Disposals	-	(39,366)	(39,366)	-	(7,485)	-
Write back accumulated depreciation	-	26,954	26,954	-	-	-
Depreciation charge for the year	(11,972)	(42,663)	(54,635)	-	-	-
At 30 June 2006, net of accumulated depreciation	56,319	126,254	182,573	-	-	-
At 1 July 2005						
Cost	69,681	189,708	259,389	-	31,630	-
Accumulated depreciation	(13,129)	(73,135)	(86,264)	-	(24,145)	(7,485)
Net carrying amount	56,552	116,573	173,125	-	7,485	(7,485)
At 30 June 2006						
Cost	81,517	202,618	284,135	-	-	-
Accumulated depreciation	(25,198)	(76,364)	(101,562)	-	-	-
Net carrying amount	56,319	126,254	182,573	-	-	-

10 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED			*PARENT*		
	Fittings	*equipment*	*Total*	*Fittings*	*equipment*	*Total*
Year ended 30 June 2005						
At 1 July 2004, net of accumulated depreciation	-	-	-	-	12,743	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	(5,258)	-
At 30 June 2005, net of accumulated depreciation	-	-	-	-	7,485	-
At 1 July 2004						
Cost	-	-	-	-	31,630	12,743
Accumulated depreciation	-	-	-	-	(18,888)	-
Net carrying amount	-	-	-	-	12,742	7,485
At 30 June 2005						
Cost	-	-	-	-	31,630	-
Accumulated depreciation	-	-	-	-	(24,145)	7,485
Net carrying amount	-	-	-	-	7,485	7,485

	Note	Consolidated		Parent	
		$	$	$	$
		2006	2005	2006	2005

11 INTANGIBLES

NON-CURRENT				
Goodwill	188,132	-	-	-

Detailed information on the recognition of goodwill resulting from a business combination refer to Note 22.

12 TRADE AND OTHER PAYABLES

CURRENT				
Trade payables	1,707,401	-	1,533,860	192,224
Other payables	280,020	-	281,961	5,302
Loans from subsidiaries	-	-	820,000	-
	1,987,421	-	2,635,821	197,526

Trade payables and other payables are non-interest bearing and are normally settled on 30 day terms.
The net of GST payable and GST receivable is remitted to the appropriate tax body on a monthly basis.

13 PROVISIONS

CONSOLIDATED	*Employee entitlements*	*Dividends*	*Total*
At 1 July 2005	-	-	-
Arising during the year	205,476	1,500,000	1,705,476
Utilised	(15,011)	-	(15,011)
At 30 June 2006	190,465	1,500,000	1,690,465
Current 2006	156,708	1,500,000	156,708
Non-current 2006	33,757	-	33,757
	190,465	1,500,000	190,465
Current 2005	-	-	-
Non-current 2005	-	-	-
	-	-	-

Provision is made for the global entity's liability for employee leave entitlements arising from services rendered by employees to balance date. All employee entitlements together with entitlements arising from wages and salaries, annual leave and long service leave have been measured at their nominal amounts based on current remuneration rates.

Contributions made by the global entity in relation to employee superannuation are charged as expenses when incurred.

14 TAX LIABILITIES

CURRENT				
Provision for income tax	577,727	-	577,727	5,127

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Parent	
		$	$	$	$
		2006	2005	2006	2005
15 ISSUED CAPITAL					
Ordinary shares					
Issued and fully paid		200,000	-	200,000	75,000
Movement in ordinary shares on issue:					
At 1 July 2005		75,000			
Issued on 1 July 2005 in exchange for issued share capital in WTM and DDT (Note 22)		114,000			
Issued to Reservoir Unit Trust		11,000			
At 30 June 2006		200,000			

On 5 June 2006 the Company issued 43,800,000 bonus shares for no consideration on a pro rata basis to the shareholders of the Company in anticipation of the float. Total shares on issue as at 30 June 2006 was 44,000,000.

All shares carry the same voting rights at meetings and in the issue of shares, payment of dividends and return of capital upon winding up of the company.

16 EVENTS SUBSEQUENT TO BALANCE DATE

The company was listed on the Australian Stock Exchange on the 20 July 2006.

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are cash and investments listed entities. Additionally the Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk and credit risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

The Group's accounting policies in relation to financial instruments are set out in Note 1.

Interest rate risk
The Group has exposure to market risk for changes in interest rates which primarily relates to income received on operating cash balances.

Credit risk
The maximum exposure to credit risk at balance date to recognised financial assets excluding the value of any collateral or other securities, is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

Fair values
The fair value and the carrying amount of the Group's financial instruments are the same.

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

18 FINANCIAL INSTRUMENTS

Year ended 30 June 2006	*Average*	*Within 1 year*	*1 - 5 Years*	*Over 5 Years*	*Bearing*	*Total*
CONSOLIDATED						
Financial Assets						
Cash	3%	671,736	-	-	-	(24,145)
Receivables	0%	-	-	-	120,566	7,485
Other Financial Assets	7%	1,785,000	-	140,015	1,488,351	-
		2,456,736	-	140,015	1,608,917	(16,660)
Financial Liabilities						
Payables	0%	-	-	-	1,987,239	-
		-	-	-	1,987,239	-
PARENT						
Financial Assets						
Cash	3%	465,705	-	-	-	-
Receivables	0%	-	-	-	81,496	4,205,668
Loan to subsidiaries	0%	-	-	-	692,004	-
Other Financial Assets	7%	1,785,000	-	344,401	1,488,351	1,987,239
		2,250,705	-	344,401	2,261,851	6,192,907
Financial Liabilities						
Accounts Payable	0%	-	-	-	1,815,639	-
Loan from subsidiaries	0%	-	-	-	820,000	-
		-	-	-	2,635,639	-

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.

Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

The other financial instruments of the Group and Parent that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

	Note	Consolidated		Parent	
		$	$	$	$
		2006	2005	2006	2005
19 AUDITOR'S REMUNERATION					
Amounts received or due and receivable by Einfeld Symonds Vince for:					
- an audit or review of the financial report of the entity and any other entity in the consolidated entity		40,000	-	40,000	5,230
- an audit or review of the financial report of the Managed Investment Schemes for whom PPGL acts as Responsible Entity		16,600	-	16,600	13,950
- other services in relation to the entity and any other entity in the consolidated entity					
- tax compliance		5,000	-	5,000	1,500
- assurance related		15,400	-	15,400	-
		77,000	-	77,000	20,680

20 RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Pelorus Property Group Ltd and the controlled entities listed in the following table.

Name	*Country of incorporation*	*% Equity interest* 2006	2005
Wynn Tresidder Management Pty Limited	Australia	100	-
DDT Projects Pty Limited	Australia	100	-
Capital Storage Services Pty Ltd	Australia	100	-

Pelorus Property Group Ltd is the ultimate Australian parent entity and immediate parent of Wynn Tresidder Management Pty Limited, DDT Projects Pty Limited and Capital Storage Services Pty Ltd.

Capital Storage Services Pty Ltd was incorporated on 17 May 2006 with an issued capital of $510. The company has not traded since incorporated and its issued capital has not been consolidated in the financial report on the basis of materiality.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year.

20 RELATED PARTY DISCLOSURE (continued)

Related Party		*Management Fees Received*	*Interest Received*	*Rent Paid*	*Management Fees Paid*	*Amounts owed by*
CONSOLIDATED						
Director related entities:						
Valview Pty Ltd	2006	400,000	-	-	-	1,785,000
Seph Glew, Paul Tresidder	2005	-	-	-	-	-
Planloc Pty Ltd	2006	108,002	-	-	-	-
Seph Glew, Paul Tresidder	2005	96,875	-	-	-	-
Kirela Pty Ltd						
Seph Glew, Paul Tresidder,						
Robin Tedder, Stuart Brown,	2006	1,213,037	30,506	-	-	-
Guy Wynn	2005	390,000	-	-	-	-
IPUT Nominees Pty Ltd	2006	969,500	603	-	57,637	-
Seph Glew, Paul Tresidder	2005	62,500	-	-	-	-
JPS Properties Pty Ltd	2006	16,800	-	160,051	-	-
Seph Glew, Paul Tresidder	2005	-	-	-	-	-
Mosman Branch Pty Ltd	2006	5,400	-	-	-	-
Seph Glew, Paul Tresidder	2005	-	-	-	-	-
Alerik Pty Ltd	2006	136,010	-	-	-	-
Seph Glew, Paul Tresidder	2005	-		-	-	-
Claremont Street Pty Ltd	2006	4,800	-	-	-	-
Seph Glew, Paul Tresidder	2005	-	-	-	-	-
Frogstorm Pty Ltd	2006	-	-	-	-	-
Stuart Brown	2005	-	-	-	104,286	-
Koonta Pty Ltd	2006	-	-	-	-	-
Robin Tedder	2005	-	-	-	30,000	-

20 RELATED PARTY DISCLOSURE (continued)

Related Party		*Management Fees Received*	*Interest Received*	*Rent Paid*	*Management Fees Paid*	*Amounts owed by*
CONSOLIDATED						
Director related entities:						
Seno Management Pty Ltd	2006	-	-	-	-	-
Seph Glew	2005	-	-	-	64,500	-
Lymkeesh Pty Ltd	2006	-	-	-	-	-
Paul Tresidder	2005	-	-	-	60,000	-
PRSC Pty Ltd	2006	-	-	-	-	-
Paul Tresidder	2005	-	-	-	26,968	-

The relevant interests in the share capital of the company held by directors as at 30 June 2006 was 44 million fully paid ordinary shares (2005: 75,000 shares).

Remuneration of directors is detailed in Note 23.

	Note	Consolidated		Parent	
		$	$	$	$
		2006	2005	2006	2005

21 COMMITMENTS AND CONTINGENCIES

Operating lease commitments

Wynn Tresidder Management Pty Limited has entered into an operating lease for business premises used by the Group. The lease expires on 28 February 2007.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2006 were:

	2006	2005	2006	2005
Within one year	118,808	-	118,808	-
	118,808	-	118,808	-

Capital commitments

There are no capital commitments as at 30 June 2006 (2005: Nil)

22 BUSINESS COMBINATIONS

On 1 July 2005, Pelorus Property Group Ltd acquired 100% of the issued capital of DDT Projects Pty Limited and Wynn Tresidder Management Pty Limited.

In connection with the business combination, Pelorus Property Group Ltd issued 114,000 ordinary shares at a fair value of $1.00 each to the shareholders of the target companies.

The fair value of identifiable assets and liabilities of the group as at the date of acquisition are:

	Recognised on acquisition	Carrying Value
Property, plant & equipment	192,416	192,416
Deferred income tax	42,179	-
Cash	56,433	56,433
Trade receivables	20,983	20,983
Other receivables	103,336	137,441
Investments	51,474	51,474
	466,821	458,747
Trade payables	(189,988)	(189,988)
Provisions	(141,416)	(28,989)
Other payables	(59,391)	(59,391)
	(390,795)	(278,368)
Fair value of net assets	76,026	180,379
Goodwill arising from acquisition	188,130	
	264,156	

Consideration:	
Shares issued	114,000
Cash paid	140,489
Costs associated with the acquisition	9,667
	264,156

	Note	Consolidated		Parent	
		$	$	$	$
		2006	2005	2006	2005

22 BUSINESS COMBINATIONS (continued)

The cash inflow on acquisition is as follows:

Net cash acquired with subsidiaries	56,433
Cash paid	(150,156)
Net cash outflow	(93,723)

For the purpose of reconcilation to the statement of cash flows a cash deposit of $140,489 was paid in respect of the business combination during the year ended 30 June 2005.

From the date of acquisition, Wynn Tresidder has contributed $307,061 to net profit after tax of the group and DDT has contributed $228,698 to the net profit after tax of the group.

23 DIRECTORS REMUNERATION

The names of the directors who have held office during the financial year are Stuart Brown, Seph Glew, Guy Wynn, Paul Tresidder, Robin Tedder and Richard Hill

Directors' Remuneration

Fees paid by the company to its directors or director related entities during the financial year are noted under Note 20 'Related Party Transactions'.

Retirement and Superannuation Payments

Amounts of a prescribed benefit given during the year by the company or a related party to a director or prescribed superannuation fund in connection with the retirement from a prescribed office were nil.

Disclosure of Interests

As at the date of the report, the directors have relevant interests in options and shares as set out in the following table:

Director	No. of Shares ('000)	No. of Options ('000)
Seph Glew	14,630	2,660
Stuart Brown	3,300	600
Guy Wynn	7,700	1,400
Paul Tresidder	14,630	2,660
Robin Tedder	7,920	4,440