PELORUS
PROPERTY GROUP

AND CONTROLLED ENTITIES

ANNUAL REPORT

Financial Year Ending 30 June 2007

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

PELORUS PROPERTY GROUP

CONTENTS

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007

Your directors present their report for the company and controlled entities for the financial year ended 30 June 2007.

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.	Chief Operating Officer and Chief Financial Officer
Guy Wynn	Considerable experience in retail management, leasing, development and strategic planning. Past senior management experience in both property development and management businesses.	Managing Director.
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.
Robin Tedder	31 years in investment and financial markets; member of ASX for 12 years; served on boards of companies in the financial industry and various listed entities.	Non-Executive Director.
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 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	15,670	14.52%	2,660
Stuart Brown	6,593	6.10%	600
Guy Wynn	7,993	8.31%	1,400
Paul Tresidder	15,648	14.48%	2,660
Robin Tedder	8,717	8.07%	1,000

PRINCIPAL ACTIVITIES

The company and its controlled entities' principal activities are the generation of fee income from the provision of vertically integrated property services to private and institutional commercial and retail property owners. This activity is broken into two business units being Property Services and Finance Services (including investment activities). In addition Pelorus aims to grow net tangible assets per share and recurring fee income streams by allocating its capital to:

1. Underwrite new transactions;
2. Take advantage of value opportunities;
3. Generate investment income; and
4. Seed new ventures.

RESULTS AND REVIEW OF OPERATIONS

The profit of the consolidated entity for the financial year after providing for income tax amounted to $5,890,041. The result gives rise to the following key points:

- Earnings per share were 6.5 cents which equates to a 60% increase on forecasts.
- Net profit after tax is 58% above forecast.
- Net tangible assets have grown 32% from the dated the company listed on the ASX to 32 cents per share.

The higher than forecasted profit was generated by a combination of new transactions not included in the prospectus forecast and better than anticipated fee revenue from existing activities.

The earnings before interest contribution for Pelorus's three income sectors was:

Sector	FY 2007 Actual ('000)	FY 2007 Forecast ('000)
Funds Management	$2,127	$2,080
Property Services	$1,088	$1,027
Investment Income	$5,039	$2,260

Within the Investment Income sector $3.87 million is derived from the revaluation of "financial assets for trading" acquired by the group during 2007. The fair value adjustment for these assets was included in the group's earnings as Pelorus's business plan assumes their divestment in the

2008 financial year and their acquisition had required a significant investment of executive time. These trading assets include 8% of the Alerik Unit Trust, 14% of the Pelorus Storage Fund, 24% of the Bakehouse Quarter Fund (BQF) and 75% of the Pelorus Penrith Fund No. 2. BQF is the most significant of these and is carried at a value determined by an independent valuation of the underlying properties completed in December 2006.

Significant transactions or activities for the period included:

1. The Pelorus Storage Fund (ARSN 120 024 713) commenced 1 October 2006. The Pelorus Storage Fund is a $6 million PIPES (Property Income and Participating Equity Securities) fund with an interest in three storage facilities trading as Capital Self Storage in Hume and Mitchell in ACT and Queanbeyan in NSW. The fund has a 7 year term. Pelorus has negotiated a call option to purchase the properties on the expiration of the fund as well as "first right of finance" should the owner choose to refinance the properties at termination. Pelorus allocated a portion of its balance sheet to seed this fund at commencement and has subsequently been selling down those units on a secondary basis. At the balance date Pelorus held 1,062,000 units in the fund and now holds 722,000 at the date of this report.

2. On 31 December 2006 the Pelorus PIPES Penrith Fund terminated. This fund was Pelorus's first PIPES fund commencing in 2001. The fund participated in the income and capital appreciation of a bulky goods retail property located at 120 Mulgoa Road Penrith, NSW. Investors in the fund received a return equating to an IRR of 12.11% over its term. For more details on the Pelorus Penrith Fund No. 2 (ARSN 124 218 211), please see Subsequent Events.

3. On 25 January 2007 Pelorus completed an offer of 2,360,840 units in the Bakehouse Quarter Fund (BQF, ARSN 100 648 253) by way of a bookbuild tender. Pelorus is the responsible entity of BQF. BQF participates in the development of a 7.5-hectare urban business precinct located in North Strathfield and known as the Bakehouse Quarter (for more information on the Bakehouse Quarter visit www.bakehousequarter.com.au). The offer was managed and underwritten by Pelorus. The Fund raised $8,546,240.80 under the offer to be applied for the ongoing redevelopment of the Bakehouse Quarter. Pelorus in its own right was successful in acquiring 1,311,840 units in the offer.

4. On 5 February 2007 Pelorus made an offer to members of the Alerik Unit Trust. The Alerik Unit Trust is an unlisted fund, which owns a commercial office building adjacent to the Bakehouse Quarter at North Strathfield. The offer comprised 3.5 Pelorus shares for every unit held. On 10 April 2007 Pelorus issued 839,283 shares to Alerik Unit Trust members in exchange for units in that fund which equated to approximately 8% of the trust units.

5. On 28 February 2007 Pelorus announced that the BQF would be delisted and that distributions would be suspended indefinitely. As a consequence, on 24 April 2007 Pelorus launched a share and cash offer of $3.85 or 7.5 Pelorus shares per BQF unit. The offer period closed on 4 June 2007. As a consequence of the offer Pelorus issued 13,195,439 Pelorus shares. Pelorus holds 4,906,775 BQF units equating to 24.62% of the units issued.

6. Pelorus's property services subsidiaries, Wynn Tresidder Management Pty Ltd and DDT Projects Pty Ltd, were engaged to provide property services to properties controlled by the group's funds management business as well as third party clients. Under the umbrella of property services the group is engaged in retail and commercial property management, leasing, consultancy and well as development and project management. Significant third party clients in the period included AMP Capital Investors, Canberra Airports Corporation, Arc Funds Management, Allco, Blacktown City Council and Sydney City Council.

DIVIDENDS PAID

On 31 August 2006 a final fully franked dividend of $1,500,000 was paid to shareholders on the register at 30 June 2006. An interim fully franked dividend of $1,610,000 was paid on 16 April 2007 to shareholders on the register on 9 March 2007. A final fully franked dividend of $2,160,298.20 is to be paid on 28 September 2007 to shareholders on the register on 4 September 2007. The company has adopted a dividend reinvestment plan (DRP) with respect to the dividend paid on 9 March 2007 and will operate for the dividend to be paid on 28 September.

STATE OF AFFAIRS

Pelorus closed an offer of 48 million shares under a prospectus dated 5 June 2006. The company commenced trading on ASX on 20 July 2006 (Listing Date). On the Listing Date Richard Hill joined the board of directors.

By virtue of some of the transactions described above and the DRP, the number of issued shares has grown from 92,000,000 on the Listing Date to 107,650,320 as at the 30 June 2007.

SUBSEQUENT EVENTS

On 1 July 2007 the Pelorus Penrith Fund No. 2 commenced. The fund has a 7-year term and an interest in the same bulky goods property as that of the Pelorus PIPES-Penrith Fund, which terminated on 1 December 2006. Pelorus allocated a portion of its balance sheet to seed this fund at commencement and has subsequently been selling down those units on a secondary basis. At the balance date Pelorus held 5,455,000 units in the fund and holds 4,475,000 at the date of this report.

Macquarie Leisure Trust Group's bowling division AMF will open Australia's largest bowling centre at the Bakehouse Quarter, North Strathfield on 28 September 2007. The centre will be Australia's largest tenpin bowling centre over approximately 3,500 sqm. It incorporates a 38 lane venue with the latest in bowling technology, glow in the dark lanes, state of the art sound system and Sliders Bowling Bar. The centre will cater for all types of functions, from birthday parties, Christmas parties, conferences, product launches & team building events, through to leisure and league bowling and tournaments.

On 20 July 2007 Pelorus made an excluded offer (WRV Offer) to sophisticated and professional shareholders on its register to participate in an unlisted syndicate (WRV Unit Trust) to develop and hold a 9,300 sqm distressed bulky goods centre at 850 Woodville Road, Villawood. The $2.5 million offer was substantially oversubscribed.

On 11 September 2007 the WRV Unit Trust settled the purchase with a combination of the equity raised in the WRV Offer, subordinated debt from Pelorus and senior bank debt from an Australian trading bank. Wynn Tresidder has commenced leasing of the property to reposition it as a lifestyle centre. To date over 4,800 sqm is committed to two tenants of 1,040 sqm and 3,855 sqm. Pelorus will generate underwriting, leasing, consultancy, development and project management fees totalling over $2 million in the current financial year.

FUTURE DEVELOPMENTS AND RESULTS

Pelorus's forward business plan is to grow recurring fee income by allocating its capital to take advantage of opportunities. With the recent upheaval in debt markets the Group's view is that both equity and debt capital markets could become tighter with wider credit spreads. Such circumstances should generate opportunities to which Pelorus's vertically integrated business can add value, in particular, in the context of distressed properties. The WRV transaction described above is indicative of the group's skill set and business plan. The property was introduced to the group through the retail consultancy business unit within Wynn Tresidder's property services operations. Wynn Tresidder's mandate was to devise a strategy to remix and reposition the asset. During the course of this work, an opportunity arose for the site to be purchased and the Pelorus balance sheet was employed to underwrite the transaction.

On completion of the redevelopment (expected to be 12 to 18 months) Pelorus will make an offer of a $6 million PIPES fund to retail investors to repay Pelorus's subordinated debt and if appropriate reduce bank debt. As such Pelorus will have "recycled" its capital enabling it to commit to future transactions.

In addition to new projects Pelorus's future developments and results will be generated from activities at the Bakehouse Quarter. The Bakehouse Quarter currently incorporates 35,000 sqm of new or converted office and retail premises that is anticipated to grow to over 100,000 sqm.

Development is underway on a multi-deck car park with planning well advanced on an additional 20,000 sqm of commercial and retail space including an all suites hotel, business centre, tavern, more restaurants and a wine bar. Pelorus generates growing funds, development and property management fees as well as leasing fees from this activity.

As a consequence of the BQF transactions described earlier Pelorus holds 4,906,775 units (24.6%) in the fund and intends to repatriate cash to its balance sheet by either transferring those units as a seed asset of a new opportunistic fund or by placing them with a syndicate of sophisticated or institutional investors.

OPTIONS

As at the date of this report the company has granted the options shown in the following table over ordinary shares. The options expire 5 years from the listing date (20 July 2006) and are exercisable at 135% of the listing price of $0.50. The following table shows the listed parties' 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	1,000
Interests associated with Southern Cross Equities Limited*	920

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

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

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 28th day of September 2007.

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 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.

On 1 August 2007 Simon Hayes was appointed as Company Secretary (the position formerly held by Stuart Brown).

MEETING ATTENDANCES

Attendance at the company's board and sub-committees' meetings held during the financial year are detailed below:

Director	Board Meetings	Audit Committee	Related Party Transactions Committee	Investment Committee
Meetings Held	18	5	9	9
Seph Glew	18	-	9	9
Stuart Brown	17	-	-	-
Guy Wynn	18	-	-	-
Paul Tresidder	18	-	-	-
Robin Tedder	16	5	-	9
Richard Hill	15	5	9	-

GOOD CORPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS

As noted in last year's audit report the board resolved to adopt a corporate governance structure that is consistent with the ASX Corporate Governance Principles and Recommendations. As at the date of this report Pelorus had achieved compliance with the recommendations as detailed below.

Principle 1: Lay solid foundation for management and oversight
Pelorus operates with a flat management structure. Executive directors are involved in the day to day operations of the business. Decisions at Board level are based on reports received from executive directors and the consideration of issues by executive, non-executive and independent directors at meetings. These decisions are implemented by executive directors.

Principle 2: Structure Board to add value
The Board is structured with a combination of skills and experiences outlined in the "Information on Directors" section. The Board members' skills and experience are consistent with the business operations that Pelorus undertakes including:

- Structured finance and fund management
- Property development
- Property management and leasing.

Principle 3: Promote ethical and responsible decision making
Pelorus has a number of work groups that meet either weekly, fortnightly or monthly. Employee conduct and decision making is discussed at these meetings. In addition Pelorus imposes restrictions on its directors and employees trading Pelorus securities when they are in possession of price-sensitive information that has not been published or made available to the general public.

Principle 4: Safeguard integrity in financial reporting
Financial reports are prepared through the collaboration of executive directors and the Chairman. The reports are distributed prior to the Board's meeting allowing consideration by non-executive and independent members.

The Audit Committee, whose members consist of independent directors, review the auditing process for half-yearly and annual reports. The committee has direct access to the auditor during the auditing period. The committee may make a recommendation to the Board.

Principle 5: Make timely and balanced disclosures
Pelorus has procedures for disclosure to the market so that market participants have timely opportunity to access information in regards to the company. It is the responsibility of the Chief Executive Officer and the Company Secretary to manage investor relations and the coordination of market sensitive information. Information is not published without at least two directors reviewing the release. All relevant information is published on the ASX and the company's website.

Principle 6: Respect the rights of security holders
Pelorus undertakes a number of measures to enable its shareholders to be informed of its operations including:

- Offering shareholders who qualify the opportunity to invest in property transactions Pelorus originates
- Being available during business hours to be contacted by shareholders
- Maintaining an "Investor Key Dates" section on its website and updating the website continually
- Entitling investors to receive a copy of Pelorus's annual and half-yearly reports
- Enabling access to Pelorus's external auditor at the Annual General Meeting

Principle 7: Recognising and managing risks
Pelorus's identifies and manages risk through a framework that the executive directors manage. Risks are reported to the Board at each Board meeting and the Chairman may call a extraordinary meeting when circumstances require.

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.

Principle 8: Encourage enhanced performance
The Board actively encourages and promotes efficiency, innovation and entrepreneurialism and meetings are held each week to discuss issues and opportunities. Board members are available to employees at any time 7 days per week to discuss work with employees. The Board determines remuneration based on the employees performance.

Principle 9: Remunerate fairly and responsibly
The Board is responsible for determining remuneration of its members and employees. Employees are remunerated on the basis of the Board's consideration of the employee's responsibilities and performance, the company's financial position and market conditions at the time of employment and review. Further details of the Board's approach to remuneration are detailed in the Remuneration Report.

Principle 10: Recognise the legitimate interests of stakeholders
As noted in Principle 3, Pelorus has a number of work groups that meet either weekly, fortnightly or monthly. Third party and stakeholder interests and their impact on Pelorus's operations are discussed at these meetings.

REMUNERATION REPORT

The Board members' compensation is detailed in Section 24(a) of the Notes to the Financial Statements. Disclosures in regards to related parties are detailed in section 22(a) of the Notes to the Financial Statements.

The Board is responsible for determining the manager's and employee's remuneration. The Board determines remuneration on the following basis:

- Remuneration is aligned with delivering returns to shareholders
- Results, innovation and entrepreneurial behaviour are recognised and rewarded

The Board members have service agreements with the company. The remuneration payable under each service agreement is subject to review each year by the Board.

There are no performance conditions within the service agreements for board members or contracts for management personnel. Any performance payments are at the discretion of the board.

SHAREHOLDERS

As at 21 September 2007 the company's top 20 shareholders were:

Investor		Shares ('000)	Share %
1	LYMKEESH PTY LTD	11,942	11.06%
2	SENO MANAGEMENT PTY LTD	11,356	10.51%
3	CASTLEBAY PTY LTD	7,785	7.21%
4	GLENAHILTY PTY LIMITED	6,721	6.22%
5	KOONTA PTY LTD	5,687	5.27%
6	RBC DEXIA INVESTOR SERVICES	4,856	4.50%
7	FROGSTORM PTY LTD	3,481	3.22%
8	VALVIEW PTY LTD	3,013	2.79%
9	NATIONAL NOMINEES LIMITED	2,554	2.36%
10	FORTIS CLEARING NOMINEES P/L	2,100	1.94%
11	TPIC PTY LIMITED	2,000	1.85%
12	BELL POTTER NOMINEES LTD	1,660	1.54%
13	TRUST COMPANY SUPERANNUATION SERVICES LIMITED	1,539	1.43%
14	TRUEBELL CAPITAL PTY LTD	1,430	1.32%
15	OLD BEAR PTY LTD	1,327	1.23%
16	TOP DOG TRADING PTY LTD	1,286	1.19%
17	LOST ARK NOMINEES PTY LIMITED	1,017	0.94%
18	BALPINA PTY LTD	1,000	0.93%
19	BOND STREET CUSTODIANS LIMITED	859	0.80%
20	GURRAVEMBI INVESTMENTS PTY LTD	800	0.74%

As at 21 September 2007 the substantial shareholders in the company were:

Investor	Shares ('000)	Share %
LYMKEESH PTY LTD	11,942	11.06%
SENO MANAGEMENT PTY LTD	11,356	10.51%
CASTLEBAY PTY LTD	7,785	7.21%
GLENAHILTY PTY LIMITED	6,721	6.22%
KOONTA PTY LTD	5,687	5.27%

As at 21 September 2007 the distribution of shareholders by size of holding was:

Category	No. of Holders
1-1,000	11
1,001-5,000	87
5,001-10,000	135
10,001-100,000	305
100,001 and over	97
Total number of shareholders	**635**

The company has 108,014,910 ordinary shares on issue as at 21 September 2007. All shares carry one vote per share without restrictions. All shares are quoted on the Australian Stock Exchange (stock code PPI).

PELORUS DETAILS

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 Neutral 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

EINFELD
SYMONDS VINCE

• CHARTERED ACCOUNTANTS •

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 2007 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 28th day of September 2007.

Einfeld Symonds Vince

Einfeld Symonds Vince

Chris Kirkwood
Partner

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

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 2007.

The directors of the company are responsible for preparing a financial report that gives a true 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.

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.

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

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 2007 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 28th day of September 2007.

Einfeld Symonds Vince

Einfeld Symonds Vince

Chris 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 2007 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 28th day of September 2007.

PELORUS PROPERTY GROUP

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Income Statement

For the Year Ended 30 June 2007

		Consolidated		Parent	
		2007	2006	2007	2006
	Note	$	$	$	$
Fund Management Fees		2,804,466	1,984,500	2,804,466	1,984,500
Property Management & Leasing Fees		4,453,387	3,908,989	-	-
Investment income	3(a)	6,054,212	101,175	5,939,832	528,503
Total revenue		13,312,065	5,994,664	8,744,298	2,513,003
Employee costs	4(a)	(2,865,967)	(2,293,737)	(186,363)	-
Marketing costs		(13,978)	(162,602)	(264)	(37,658)
Occupancy costs	4(b)	(202,455)	(128,303)	-	-
Administrative costs		(1,225,967)	(388,251)	(440,474)	(352,876)
Finance costs		(7,485)	(7,174)	(365)	(379)
Depreciation expense		(48,306)	(135,849)	-	(7,485)
Other expenses		(693,937)	(609,554)	(205,648)	(291,305)
Profit before income tax		8,253,970	2,269,194	7,911,184	1,823,300
Taxation	5(b)	(2,353,678)	(592,046)	(2,243,456)	(323,503)
Profit for the year		5,900,292	1,677,148	5,667,728	1,499,797
Minority interest		(10,251)	-	-	-
Profit attributable to members of the parent		5,890,041	1,677,148	5,667,728	1,499,797

Earnings Per Share:

Continuing operations:				
Basic earnings per share (cents per share)	0.06	0.04	-	-
Diluted earnings per share (cents per share)	0.06	0.04	-	-

The accompanying notes form part of the financial statements

PELORUS PROPERTY GROUP

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Balance Sheet

30 June 2007

		Consolidated		Parent	
		2007	2006	2007	2006
	Note	$	$	$	$
ASSETS					
Current assets					
Cash and cash equivalents	6	1,919,694	671,738	1,773,450	465,705
Trade and other receivables	8	1,962,508	120,566	1,279,748	773,500
Other financial assets	9(a)	25,447,830	1,903,764	25,447,830	1,864,838
Other assets	12	8,146	1,488,351	-	1,488,351
Total current assets		29,338,178	4,184,419	28,501,028	4,592,394
Non-current assets					
Other financial assets	9(b)	7,436,980	21,251	9,062,835	1,640,755
Property, plant and equipment	10	313,486	182,573	-	-
Deferred tax	15(a)	46,169	57,790	-	-
Intangible assets	11	1,544,729	1,544,729	-	-
Total non-current assets		9,341,364	1,806,343	9,062,835	1,640,755
TOTAL ASSETS		38,679,542	5,990,762	37,563,863	6,233,149
LIABILITIES					
Current liabilities					
Trade and other payables	13	738,793	3,487,421	185,172	4,097,624
Current tax payable	15(b)	425,290	577,727	416,324	577,727
Provisions	14	119,027	156,708	-	-
Total current liabilities		1,283,110	4,221,856	601,496	4,675,351
Non-current liabilities					
Deferred tax	15(b)	1,161,245	-	1,161,245	-
Provisions	14	34,607	33,757	-	-
Total non-current liabilities		1,195,852	33,757	1,161,245	-
TOTAL LIABILITIES		2,478,962	4,255,613	1,762,741	4,675,351
NET ASSETS		36,200,580	1,735,149	35,801,122	1,557,798
EQUITY					
Issued capital	16	31,742,192	1,556,599	31,742,192	1,556,599
Distributable reserve		4,443,237	178,550	4,058,930	1,199
Parent interest		36,185,429	1,735,149	35,801,122	1,557,798
Minority equity interest		15,151	-	-	-
TOTAL EQUITY		36,200,580	1,735,149	35,801,122	1,557,798

The accompanying notes form part of the financial statements

Pelorus Property Group Ltd and Controlled Entities

PELORUS PROPERTY GROUP

ABN 45 091 209 639

Statement of Changes in Equity

For the Year Ended 30 June 2007

2007		Parent		
		Ordinary Shares	Retained Earnings	Total
		$	$	$
Balance at 1 July 2006		1,556,599	1,199	1,557,798
Profit attributable to members		-	5,667,731	5,667,731
Issue of shares		32,067,334	-	32,067,334
Transaction costs		(1,872,074)	-	(1,872,074)
Adjustment of investment in subsidiaries		(9,667)	-	(9,667)
Dividends paid or provided for	17	-	(1,610,000)	(1,610,000)
Balance at 30 June 2007		31,742,192	4,058,930	35,801,122

2006		Parent		
		Ordinary Shares	Retained Earnings	Total
		$	$	$
Balance at 1 July 2005		75,000	153,652	228,652
Profit attributable to members		-	1,499,797	1,499,797
Issue of shares		125,000	-	125,000
Restatement of prior year error in acquisition of subsidiaries		1,356,599	-	1,356,599
Dividends paid or provided for	17	-	(1,652,250)	(1,652,250)
Balance at 30 June 2006		1,556,599	1,199	1,557,798

The accompanying notes form part of the financial statements

Pelorus Property Group Ltd and Controlled Entities

PELORUS PROPERTY GROUP

ABN 45 091 209 639

Statement of Changes in Equity

For the Year Ended 30 June 2007

2007		Consolidated		
		Ordinary Shares	Retained Earnings	Total
		$	$	$
Balance at 1 July 2006		1,556,599	178,550	1,735,149
Profit attributable to members		-	5,890,041	5,890,041
Issue of shares		32,067,334	-	32,067,334
Transaction costs		(1,872,074)	-	(1,872,074)
Elimination of pre-acquisition retained profits on consolidation		-	(15,354)	(15,354)
Adjustment of investment in subsidiaries		(9,667)	-	(9,667)
Dividends paid or provided for	17	-	(1,610,000)	(1,610,000)
Balance at 30 June 2007		31,742,192	4,443,237	36,185,429

2006		Consolidated		
		Ordinary Shares	Retained Earnings	Total
	Note	$	$	$
Balance at 1 July 2005		75,000	153,652	228,652
Profit attributable to members		-	1,677,148	1,677,148
Issue of shares		125,000	-	125,000
Restatement of prior year error in acquisition of subsidiaries		1,356,599	-	1,356,599
Dividends paid or provided for	17	-	(1,652,250)	(1,652,250)
Balance at 30 June 2006		1,556,599	178,550	1,735,149

The accompanying notes form part of the financial statements

PELORUS PROPERTY GROUP

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Statement of Cash Flows

For the Year Ended 30 June 2007

		Consolidated		Parent	
		2007	2006	2007	2006
	Note	$	$	$	$
Cash from operating activities:					
Receipts from customers		5,791,724	6,482,839	1,916,035	2,182,950
Payments to suppliers and employees		(4,816,403)	(4,125,269)	(1,387,557)	(826,098)
Dividends received		48,650	-	48,650	-
Interest received		1,475,094	78,503	1,365,686	78,503
Interest paid		(7,485)	(7,174)	(365)	(379)
Income taxes paid		(1,334,857)	(76,854)	(1,314,742)	(50,696)
Net cash provided by (used in) operating activities	7(a)	1,156,723	2,352,045	627,707	1,384,280
Cash flows from investing activities:					
Proceeds from sale of investment		-	139,612	-	23,080
Acquisition of subsidiary, net of cash acquired		-	46,766	-	46,766
Acquisition of property, plant and equipment		(179,219)	(58,266)	-	-
Acquisition of other investments		(25,864,327)	(44,949)	(25,934,168)	(44,949)
Loans to employees		(375,813)	-	(346,390)	-
Loans to related parties - payments made		(2,350,000)	(1,785,000)	(1,900,000)	(1,785,000)
Loans to related parties - proceeds from repayments		1,785,000	-	1,785,000	-
Net cash provided by (used in) investing activities		(26,984,359)	(1,701,837)	(26,395,558)	(1,760,103)
Cash flows from financing activities:					
Proceeds from the issue of share capital		30,185,592	-	30,185,593	-
Proceeds - loans from subsidiaries		-	-	-	820,000
Dividends paid by parent entity		(3,110,000)	(152,250)	(3,110,000)	(152,250)
Net cash provided by (used in) financing activities		27,075,592	(152,250)	27,075,593	667,750
Net increase (decreases) in cash held		1,247,956	497,958	1,307,742	291,927
Cash at beginning of financial year		671,738	173,780	465,705	173,778
Cash at end of financial year	6(b)	1,919,694	671,738	1,773,447	465,705

The accompanying notes form part of the financial statements

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies

General information

Introduction

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the economic entity of Pelorus Property Group Ltd and Controlled Entities, and Pelorus Property Group Ltd as an individual parent entity. Pelorus Property Group Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report for Pelorus Property Group Ltd and controlled entities for the year ended 30 June 2007 was authorised for issue in accordance with the resolution of the directors on XX September 2007.

The financial report of Pelorus Property Group Ltd and Controlled Entities, and Pelorus Property Group Ltd as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Principals of Consolidation

Controlled entities

A list of controlled entities is contained in Note 21 to the financial statements. All controlled entities have a June financial year-end and use consistent accounting policies.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies continued

Principals of Consolidation continued

Inter-company balances

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

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

Principals of Consolidation

A controlled entity is an entity Pelorus Property Group Ltd and Controlled Entities has the power to control the financial and operating policies of so as to obtain benefits from its activities.

Minority interests

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

Property, Plant and Equipment

General Information

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

Depreciation rates

The estimated useful lives used for each class of depreciable assets are:

Furniture, Fixtures and Fittings	over 2 to 5 years
Office Equipment	over 2 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies continued

Property, Plant and Equipment continued

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the year the asset is derecognised.

Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

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 such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. 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.

Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, the Group re-evaluates this designation at each reporting period.

Held-for trading financial assets

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies continued

Financial Instruments continued

Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity until the financial assets are derecognised or determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit and loss.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities and including recent arm's length transactions and reference to similar instruments.

Impairment

At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Intangibles

Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies continued

Intangibles continued

Goodwill continued

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units. Each unit to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or secondary reporting format determined in accordance with AASB 114 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and that unit is disposed of, the goodwill associated with the unit disposed of is included in the carrying amount of the unit when determining the gain or loss on disposal of the unit. Impairment losses recognised for goodwill are not subsequently reversed.

As at 30 June 2007, there is no indication that impairment exists.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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.

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 amounts are unsecured and are usually paid within 30 days of recognition.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies continued

Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year and later than one year have been measured at their nominal amounts based on current remuneration rates plus related on-costs. Employee benefits payable later than one year have not been discounted to the present value of the estimated future cash outflows to be made for those benefits.

Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Where the Group expects some or all of a provision to be reimburse, 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.

Revenue

Income from management fees in relation to PIPES managed investment schemes is recognised when it becomes legally due and payable to the company.

Revenue from property management contracts is recognised monthly in arrears.

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

Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

Income Tax

Current Income Tax expense

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Accounting for deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

1 Statement of Significant Accounting Policies continued

Income Tax continued

Deferred tax calculation

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences 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.

Benefit brought to account

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidations

Pelorus Property Group Ltd has elected to form a tax consolidated group with its wholly owned entities for income tax purposes under the tax consolidation regime with effect from 1 July 2005. The Group 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.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

2 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 different 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.

The investment segment engages in short term investing activities.

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

Pelorus Property Group Ltd and Controlled Entities

PELORUS PROPERTY GROUP

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

2 Segment Reporting continued

	Funds Management		Property Services		Investment		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	$	$	$	$	$	$	$	$
REVENUE								
Revenue from external customers:								
Income	2,804,466	1,984,500	4,453,387	3,908,990	6,054,212	101,175	13,312,065	5,994,665
Total revenue	2,804,466	1,984,500	4,453,387	3,908,990	6,054,212	101,175	13,312,065	5,994,665
RESULT								
Segment results	2,127,198	1,374,770	1,087,928	894,424	5,038,844	-	8,253,970	2,269,194
Unallocated expenses:								
Income tax expense	-	-	-	-	-	-	(2,353,678)	(592,046)
Net profit for the year	-	-	-	-	-	-	5,900,292	1,677,148
ASSETS								
Segment assets	2,440,602	2,218,665	1,188,120	1,363,764	35,004,650	2,350,543	38,633,372	5,932,972
Unallocated assets	-	-	-	-	-	-	46,170	57,790
Total assets	2,440,602	2,218,665	1,188,120	1,363,764	35,004,650	2,350,543	38,679,542	5,990,762
LIABILITIES								
Segment liabilities	239,606	2,516,569	652,820	1,161,317	-	-	892,426	3,677,886
Unallocated liabilities	-	-	-	-	-	-	1,586,536	577,727
Total liabilities	239,606	2,516,569	652,820	1,161,317	-	-	2,478,962	4,255,613

2 Segment Reporting continued

	Funds Management		Property Services		Investment		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	$	$	$	$	$	$	$	$
OTHER								
Capital expenditure	-	-	-	157,900	-	-	-	157,900
Depreciation	-	7,485	48,306	128,364	-	-	48,306	135,849

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

3 Revenue

(a) Investment income

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Dividends from listed shares	48,650	-	48,650	-
Dividends from subsidiaries	-	-	-	450,000
Sundry income	-	16,889	-	-
Finance income from financial institutions	957,975	47,997	848,567	47,997
Finance income from related parties	517,119	30,506	517,119	30,506
Gains on disposal of assets	659,651	5,783	654,680	-
Unrealised gains on revaluation of held for trading financial assets	3,870,817	-	3,870,817	-
Total other revenue	6,054,212	101,175	5,939,833	528,503

4 Included in income statement under expenses by function

(a) Employee costs

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Salaries and wages	2,340,897	1,736,833	-	-
Directors' fees	180,000	-	180,000	-
(Decrease) / increase in liability for annual leave	(51,460)	156,707	-	-
(Decrease) / increase in liability for long service leave	(22,349)	33,758	-	-
Contributions to defined contribution superannuation funds	239,169	189,545	-	-
Other associated personnel expenses	179,710	122,894	6,363	-
Total employee costs	2,865,967	2,239,737	186,363	-

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

4 Included in income statement under expenses by function continued

(b) Occupancy costs

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Operating lease expenses on office premises	151,048	128,303	-	-
Leasing fees	51,407	-	-	-
Total occupancy costs	202,455	128,303	-	-

5 Income Tax Expense

(a) The components of tax expense comprise:

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Current tax	1,180,994	649,655	1,082,211	323,323
Relating to origination and reversal of temporary differences	1,172,684	(57,609)	1,161,245	-
Total income tax expense	2,353,678	592,046	2,243,456	323,323

(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%)				
- Consolidated entity	2,476,191	680,758	2,373,355	546,990
Add:				
Tax effect of:				
- Amounts attributable to subsidiary members of the tax consolidations group	-	-	-	(134,403)
- Entertainment	7,501	-	-	-
- Gross up imputation credits	6,255	-	6,255	-
- Non allowable donations	68	-	-	-
- Penalties	-	217	-	217
Less:				
Tax effect of:				

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

5 Income Tax Expense continued

(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows: continued

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
- Costs of issuing equity	115,304	88,929	115,304	89,301
- Imputation credits offset	20,850	-	20,850	-
- Other adjustments	183	-	-	-
Income tax attributable to entity	2,353,678	592,046	2,243,456	323,503

6 Cash and Cash Equivalents

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Cash on hand	500	-	-	-
Cash at bank	1,919,194	671,738	1,773,450	465,705
Total cash and cash equivalents	1,919,694	671,738	1,773,450	465,705

(a) Effective Interest Rate

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

(b) Reconciliation of Cash

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and cash equivalents	1,919,694	671,738	1,773,450	465,705
	1,919,694	671,738	1,773,450	465,705

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

7 Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax

Net income/loss for the period	5,909,258	1,677,148	5,667,728	1,499,797
Non-cash flows in profit				
Depreciation	48,306	135,849	-	7,485
Net (gain)/loss on disposal of investments	(659,651)	(5,782)	(654,680)	-
Unrealised (gains)/losses on investments	(3,870,817)	-	(3,870,817)	-
Correction to prior year balances	(10,454)	-	-	-
changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	(513,091)	(49,690)	22,386	(10,478)
(Increase)/decrease in other receivables	(953,038)	(28,915)	(910,817)	(731,357)
(Increase)/decrease in other assets	-	(192,737)	-	(22,319)
(Increase)/decrease in prepayments	1,480,206	(1,488,351)	1,488,351	(1,488,351)
Increase/(decrease) in trade payables and accruals	(1,248,628)	1,515,177	(2,114,286)	1,619,995
Increase/(decrease) in other payables	-	274,536	-	(5,302)
Increase/(decrease) in income taxes payable	(161,403)	572,600	(161,403)	572,600
Increase/(decrease) in deferred taxes balances	1,172,866	(57,790)	1,161,245	(57,790)
Increase/(decrease) in provisions	(36,831)	-	-	-
	1,156,723	2,352,045	627,707	1,384,280

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

8 Trade and Other Receivables

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
CURRENT				
Trade receivables	573,259	60,168	-	22,386
Loans to directors, managers and employees	375,813	-	346,390	-
Sundry debtors	1,013,436	60,398	969,927	59,110
Intercompany tax (payable) / receivable	-	-	(36,569)	242,004
Other receivables - subsidiaries	-	-	-	450,000
Total trade and other receivables	1,962,508	120,566	1,279,748	773,500

9 Financial Assets

(a) Current financial assets

		Consolidated		Parent	
		2007	2006	2007	2006
	Note	$	$	$	$
Held for trading investments	9(c)	23,097,830	118,764	23,097,830	79,838
Loans and receivables	9(d)	2,350,000	1,785,000	2,350,000	1,785,000
Total current financial assets		25,447,830	1,903,764	25,447,830	1,864,838

(b) Non-current financial assets

Available for sale financial assets	8(e)	7,436,980	21,251	7,436,980	20,000
Shares in controlled enties	8(f)	-	-	1,625,855	1,620,755
Total non-current financial assets		7,436,980	21,251	9,062,835	1,640,755

(c) Held-for-trading Financial Assets Comprise:

Listed securities	656,800	118,764	656,800	79,838
Unlisted unit trusts	22,441,030	-	22,441,030	-
Total held-for-trading financial assets	23,097,830	118,764	23,097,830	79,838

Held-for trading financial assets comprise of investments in listed securities and unlisted unit trusts. The investment in unlisted unit trusts were acquired under an offer made to the unitholders of Alerick Unit Trust on 6 February 2007 and as part of the takeover bid of Bakehouse Quarter Fund which was delisted on 15 June 2007. The fair value of the listed financial assets are based on current bid prices for quoted investments and the fair value of the unlisted unit trusts are based on independent property valuations performed on the underlying properties.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

9 Financial Assets continued

(d) Loans and receivables Comprise:

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Loans and receivables from related parties	2,350,000	1,785,000	2,350,000	1,785,000
Total loans and receivables	2,350,000	1,785,000	2,350,000	1,785,000

Loans and receivables are recorded at amortised cost.

(e) Available-for-sale Financials Assets Comprise:

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Unlisted investments, at cost units in unit trusts	7,436,980	21,251	7,436,980	20,000
Total available-for-sale financial assets	7,436,980	21,251	7,436,980	20,000

Available-for-sale financial assets comprise of investments in the units of unlisted unit trusts. The fair value of unlisted unit trusts are based on independent property valuations performed on the underlying properties.

(f) Investments in controlled entities:

Shares in controlled enties	-	-	1,625,855	1,620,755
Total investment in controlled entities	-	-	1,625,855	1,620,755

Investment in controlled entities are recorded at cost.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

10 Property Plant and Equipment

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
PLANT AND EQUIPMENT				
Furniture, fixtures and fittings				
At cost	224,905	81,517	-	-
Less accumulated depreciation	(37,578)	(25,198)	-	-
Total furniture, fixtures and fittings	187,327	56,319	-	-
Office equipment				
At cost	238,067	202,618	-	-
Less accumulated depreciation	(111,908)	(76,364)	-	-
Total office equipment	126,159	126,254	-	-
Total property, plant and equipment	313,486	182,573	-	-

(a) Movements in Carrying Amounts

Consolidated

	Furniture, Fixtures and Fittings	Office Equipment	Total
	$	$	$
Current Year			
Balance at the beginning of year	56,319	126,254	182,573
Additions	143,389	35,831	179,220
Depreciation expense	(12,381)	(35,926)	(48,307)
Balance at 30 June 2007	187,327	126,159	313,486
Prior Year			
Balance at the beginning of year	62,301	129,053	191,354
Additions	5,990	52,276	58,266
Disposals	-	(12,412)	(12,412)
Depreciation expense	(11,972)	(42,663)	(54,635)
Carrying amount at the end of year	56,319	126,254	182,573

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

11 Intangible Assets

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Goodwill				
Goodwill on consolidation	1,544,729	1,544,729	-	-
Net carrying value	1,544,729	1,544,729	-	-
Total Intangibles	1,544,729	1,544,729	-	-

Goodwill acquired through business combinations has been allocated to the property services segment. The calculation of value in use has been based on management's budget for the 2008 financial year. Based on a discount rate of 15%, the goodwill is fully recoverable in less than 2 years.

12 Prepayments

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
CURRENT				
Prepayments	8,146	1,488,351	-	1,488,351
Total prepayments	8,146	1,488,351	-	1,488,351

13 Trade and Other Payables

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
CURRENT				
Unsecured liabilities				
Trade payables	641,895	1,707,401	110,761	1,533,860
Loans from subsidiaries	-	-	-	820,000
Sundry payables and accrued expenses	96,898	1,780,020	74,411	1,743,764
Total trade and other payables	738,793	3,487,421	185,172	4,097,624

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

14 Provisions

	Employee entitlements	Total
	$	$
Opening balance at 1 July 2006	190,465	190,465
Additional provisions	193,574	193,574
Amounts used	(230,405)	(230,405)
Balance at 30 June 2007	153,634	153,634

(a) Analysis of Total Provisions

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Current	119,027	156,708	-	-
Non current	34,607	33,757	-	-
Total provisions	153,634	190,465	-	-

The number of employees for the group as at 30 June 2007 is 26 (2006:41)

15 Tax

(a) Assets

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
NON-CURRENT				
Deferred tax assets comprise:				
Employee entitlements	46,169	57,790	-	-
Total non current tax assets	46,169	57,790	-	-

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

(b) Liabilities

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
CURRENT				
Income tax	425,290	577,727	416,324	577,727
Total current tax liabilities	425,290	577,727	416,324	577,727
NON-CURRENT				
Deferred tax liability comprises:				
Fair value adjustments	1,161,245	-	1,161,245	-
Total non-current tax liabilities	1,161,245	-	1,161,245	-

16 Issued Capital

(a) Summary Table

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
107,650,320 (2006: 44,000,000) Ordinary	31,742,192	1,556,599	31,742,192	1,556,599
Total issued capital	31,742,192	1,556,599	31,742,192	1,556,599

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movement in shares on issue

	Consolidated		Parent	
	2007	2006	2007	2006
	No.	No.	No.	No.
At the beginning of reporting period	44,000,000	75,000	44,000,000	75,000
Shares issued during the year:				
Issued on Initial Public Offer	48,000,000	-	48,000,000	-
Issued for acquisition of Alerick Unit Trust	839,293	-	839,293	-
Dividend Reinvestment Plan	1,615,598	-	1,615,598	-
Issued for acquisition of Bakehouse Quarter Fund	13,195,429	-	13,195,429	-
Issued for acquisition of Wynn Tresidder Management Pty Ltd and DDT Projects Pty Ltd	-	114,000	-	114,000
Issued to Reservoir Unit Trust	-	11,000	-	11,000
Bonus issue to foundation shareholders	-	43,800,000	-	43,800,000
At reporting date	107,650,320	44,000,000	107,650,320	44,000,000

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

16 Issued Capital continued

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.

17 Dividends

(a) Dividends and distributions paid table

Distributions paid

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Payment of final fully franked ordinary dividend of 3 cents per share	-	1,500,000	-	1,500,000
Payment of interim fully franked ordinary dividend of 1.75 cents per share	1,610,000	-	1,610,000	-
Total distributions	1,610,000	1,500,000	1,610,000	1,500,000

b Balance of franking account

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
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% (2006: 30%)	133,189	72,587	133,189	72,587
- transferred to head entity on formation of the tax consolidated group	-	17,393	-	17,393
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	416,324	577,727	416,324	577,727
Total franking account balance	549,513	667,707	549,513	667,707

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

18 Auditors' Remuneration

Auditor's Remuneration

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Remuneration of the auditor of the parent entity for:				
- Auditing or reviewing the financial report	61,684	40,000	48,384	40,000
- Auditing or reviewing the financial report of the Managed Investment Schemes for whom PPGL acts as Responsible Entity	16,500	16,600	16,500	16,600
- Taxation services	8,000	15,400	8,000	15,400
- Other services	4,000	5,000	4,000	5,000

19 Capital and Leasing Commitments

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Payable - minimum lease payments - not later than 12 months	151,048	118,808	-	-
Total operating lease commitments	151,048	118,808	-	-

Capital Commitments

The group has entered into a contract on 11 April 2007 to acquire a property on Woodville Road, Villawood on behalf of the new WRV Fund. The contract is due for settlement on 11 September 2007 with the balance of $9,054,000 payable upon settlement (30 June 2006: Nil).

20 Events After the Balance Sheet Date

Please refer to the Directors' Report for detailed information on events subsequent to balance date.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

21 Controlled Entities

Name	Country of incorporation	Percentage Owned 2007	Percentage Owned 2006
Parent Entity:			
Pelorus Property Group Ltd	Australia		
Subsidiaries of parent entity:			
Wynn Tresidder Management Pty Limited	Australia	100	100
DDT Projects Pty Limited	Australia	100	100
Capital Storage Services Pty Ltd	Australia	51	100

22 Related party transactions

(a) Detailed table

	Consolidated		Parent	
	2007 $	2006 $	2007	2006
Management fees received				
Kirela Pty Ltd (Bakehouse Quarter Fund)	1,907,457	1,213,037	1,581,777	-
JPS Properties Pty Ltd	34,189	16,800	-	-
Mosman Branch Pty Ltd	16,200	5,400	-	-
Alerik Pty Ltd	191,125	136,010	146,555	-
Claremont Street Pty Ltd	5,700	4,800	-	-
Capital Storage Services Pty Ltd (Pelorus Storage Fund)	18,398	-	-	-
Planloc Pty Ltd (Pelorus Penrith Fund)	98,272	108,002	78,687	-
IPUT Nominees Pty Ltd	-	969,500	-	-
Valview Pty Ltd	-	400,000	-	-
Total	2,271,341	2,853,549	1,807,019	-
Rent paid				
JPS Properties Pty Ltd	151,048	160,051	-	-
Total	151,048	160,051	-	-
Consultancy fees paid				
Frogstorm Pty Ltd	257,109	-	142,829	-
Castle Bay Pty Ltd	257,142	-	85,714	-
IPUT Nominees Pty Ltd	-	57,637	-	-
Total	514,251	57,637	228,543	-
Interest received				
Frogstorm Pty Ltd	7,680	-	7,680	-
Planloc Pty Ltd	179,393	-	179,393	-
Claremont Street Pty Ltd	103,867	-	103,867	-

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

22 Related party transactions continued

(a) Detailed table continued

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Kirela Pty Ltd	67,458	30,506	67,458	30,506
Pelorus Storage Fund	56,217	-	56,217	-
JPS Properties Pty Ltd	102,504	-	102,504	-
Total	517,119	30,506	517,119	30,506
Loans to related parties:				
JPS Properties Pty Ltd	2,100,000	-	2,100,000	-
Frogstorm Pty Ltd	250,000	-	250,000	-
Valview Pty Ltd	-	1,785,000	-	1,785,000
Total	2,350,000	1,785,000	2,350,000	1,785,000

(b) Identification of Related Parties

Planloc Pty Ltd: (Pelorus Penrith Fund)	Seph Glew, Paul Tresidder
Kirela Pty Ltd: (Bakehouse Quarter Fund)	Seph Glew, Paul Tresidder, Robin Tedder, Stuart Brown, Guy Wynn, Richard Hill
JPS Properties Pty Ltd:	Seph Glew, Paul Tresidder
Mosman Branch Pty Ltd:	Seph Glew, Paul Tresidder
Alerik Pty Ltd:	Seph Glew, Paul Tresidder, Robin Tedder, Stuart Brown, Guy Wynn, Richard Hill
Claremont Street Pty Ltd:	Seph Glew, Paul Tresidder
Frogstorm Pty Ltd:	Stuart Brown
Koonta Pty Ltd:	Robin Tedder
Valview Pty Ltd:	Seph Glew, Paul Tresidder
IPUT Nominees Pty Ltd:	Seph Glew, Paul Tresidder
Old Bear Pty Ltd:	David Tresidder
Castle Bay Pty Ltd:	Guy Wynn
Capital Storage Services Pty Ltd: (Pelorus Storage Fund)	Seph Glew, Paul Tresidder, Robin Tedder, Stuart Brown, Guy Wynn, Richard Hill

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

22 Related party transactions continued

(c) Beneficial Holdings

The direct, indirect and beneficial holding of directors and their director-related entities in the share and share options of the company as at 30 June 2007 was:

Shares: 50,936,687 (2006: 44,000,000) Ordinary shares

(d) Property management and leasing fees received

The consolidated entity receives property management and and leasing fees from various related parties. These fees are paid under a property management agreement and the fees charged are determined with reference to arm's length commercial rates.

(e) Funds management fees

Funds management fees are provided for in the fund constituent documents and fees charged are determined with reference to arm's length commercial rates.

(f) Rental expenses

Rent is paid to JPS Properties Pty Ltd for use of the Group's Neutral Bay head office premises. The rent paid is subject to a lease which is determined with reference to arm's length commercial rates.

(g) Consultancy fees

The Group has entered into consultancy arrangements for the services of Stuart Brown and Guy Wynn. The fees charged are subject to consultancy agreements and rate charged are determined with reference to arm's length commercial rates.

(h) Loans to related parties

JPS Properties Pty Ltd

$2,100,000 was loaned to JPS Properties Pty Ltd. The loan is secured by an equitable mortgage over real property and the company has the power of attorney to increase the senior debt in order to recover the loan. Interest is charged at the rate of the Bank Bill Swap Rate plus a margin of 1.25% per annum. The loan was subsequently repaid on 12 July 2007.

Old Bear Pty Ltd and Frogstorm Pty Ltd

Loans were made to Old Bear Pty Ltd and Frogstorm Pty Ltd, entities associated with David Tresidder and Stuart Brown. The loans are secured by shares in Pelorus Property Group Ltd and interest is currently charged at 7.75% per annum.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

23 Founding shareholder options

Directors related entities have relevant interests in options over shares in the company as set out below. The options have a five year term commencing on 20 July 2006 and are exercisable at any time prior to their expiry at a price of 67.5 cents per share.

	Options
	$
Seph Glew	2,660,000
Guy Wynn	1,400,000
Stuart Brown	600,000
Paul Tresidder	2,660,000
Robin Tedder	1,000,000
Total	8,320,000

24 Key Management Personnel Compensation

(a) Key Management Personnel

Names and positions held of key management personnel in office at any time during the financial year are:

Key Management Person	Position
Directors	
Seph Glew	Executive Chairman
Guy Wynn	Managing Director
Stuart Brown	Chief Operating Officer & Chief Financial Officer
Paul Tresidder	Executive Director
Robin Tedder	Non Executive Director
Richard Hill	Non Executive Director

Executives

Non identified other than those named as directors

(b) Key Management Personnel Compensation

30 June 2007	Consulting fees	Director fees	Total
	$	$	$
Guy Wynn	257,142	-	257,142
Stuart Brown	257,109	-	257,109
Robin Tedder	-	40,000	40,000
Richard Hill	-	40,000	40,000
Paul Tresidder	-	40,000	40,000
Seph Glew	-	60,000	60,000
	514,251	180,000	694,251

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

24 Key Management Personnel Compensation continued

(b) Key Management Personnel Compensation continued

30 June 2006	Consulting fees	Directors fees	Total
	$	$	$
Stuart Brown	104,286	-	104,286
Robin Tedder	-	30,000	30,000
	104,286	30,000	134,286

(c) Relevant interests

The directors have relevant interests in shares of the company as set out in the following table.

	Balance 1/07/2006	Options Exercised	Net Change Other*	Balance 30/06/2007
Key Management Personnel				
Seph Glew	14,638,000	-	1,032,167	15,670,167
Guy Wynn	7,704,000	-	288,590	7,992,590
Stuart Brown	5,720,000	-	883,753	6,603,753
Paul Tresidder	14,630,000	-	1,018,135	15,648,135
Robin Tedder	7,920,000	-	807,703	8,727,703
Total shareholding	50,612,000	-	4,030,348	54,642,348

* Net change other refers to shares purchased or sold during the financial year.

25 Financial Instruments

a Financial Risk Management - Financial Risks

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

The main risks the Group is exposed to through it's financial instruments are interest rate risk, price risk and credit risk.

The management reviews and agrees policies for managing each of these risks and they are summarised below.

b 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 and related party loans.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

25 Financial Instruments continued

c Price Risk

The Group is exposed to price risk through the fluctuction of share prices for listed securities held by the Group.

d Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk for financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations.

The economic entity has credit risk exposure to related parties loans receivables under financial instruments entered into by the economic entity.

25 Financial Instruments continued

(e) Fair values

The fair values of the following financial instruments differ from their carrying amounts shown in the balance sheet:

	Consolidated				Parent			
	2007		2006		2007		2006	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$	$	$	$	$
Financial assets								
Cash	1,919,694	1,919,694	671,738	671,738	1,773,450	1,773,450	465,705	465,705
Trade receivables	713,223	713,223	60,168	60,168	139,964	139,964	22,386	22,386
Loans receivables	2,539,041	2,539,041	1,785,000	1,785,000	2,539,041	2,539,041	1,785,000	1,758,000
Held for trading financial assets	23,108,902	23,108,902	118,764	118,764	23,108,902	23,108,902	79,838	79,838
Available for sale financial assets	7,436,980	7,436,980	21,251	21,251	7,436,980	7,436,980	20,000	20,000
Financial liabilities								
Trade payables	636,795	636,795	1,707,401	1,707,401	105,661	105,661	1,533,860	1,533,860
Total	36,354,635	36,354,635	4,364,322	4,364,322	35,103,998	35,103,998	3,906,789	3,879,789

25 Financial Instruments continued

f Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Maturing within 1 Year		Non-interest Bearing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	%	%	$	$	$	$	$	$	$	$
Financial Assets:										
Cash and cash equivalents	5.30	3.00	1,919,694	671,736	-	-	-	-	1,919,694	671,736
Trade receivables	-	-	-	-	-	-	713,223	60,168	713,223	60,168
Loan receivables	7.75	7.00	-	-	2,539,041	1,785,000	-	-	2,539,041	1,785,000
Total Financial Assets			1,919,694	671,736	2,539,041	1,785,000	713,223	60,168	5,171,958	2,516,904
Financial Liabilities:										
Trade and sundry payables	-	-	-	-	-	-	636,795	1,707,401	636,795	1,707,401
Total Financial Liabilities			-	-	-	-	636,795	1,707,401	636,795	1,707,401

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Year Ended 30 June 2007

26 Company Details

Principal place of business

The principal place of business of the company is:

Pelorus Property Group Ltd and Controlled Entities
Level 3, 50 Yeo Street
Neutral Bay NSW 2089