

PELORUS

PROPERTY GROUP

AND CONTROLLED ENTITIES

ANNUAL REPORT

Financial Year Ending 30 June 2008



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	3
Corporate Governance	11
Shareholders	14
Pelorus Details	15
Auditor's Independence Declaration	16
Independent Audit Report	17
Directors' Declaration	19
Financial Statements	20

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

Your directors present their report for the company and controlled entities for the financial year ended 30 June 2008.

PRINCIPAL ACTIVITIES

The company and its controlled entities' principal activities are the generation of fee income from the provision of vertically integrated property services with respect to commercial and retail property to private and institutional clients. These activities are broken into three business units – Funds Management, Property Services and Investment. In addition Pelorus aims to grow net tangible assets per share and recurring income streams by allocating its capital to take advantage of opportunities arising under the current market conditions.

RESULTS AND REVIEW OF OPERATIONS

Pelorus made a pre-tax profit for the full year to June 2008 of \$4.8 million and a Net Profit After Tax of \$3.5 million. The revenue contributions of Pelorus's three operating segments were:

	June 2008
Funds Management	\$3,793,292
Property Services	\$4,339,604
Investment	\$2,365,240
Total	\$10,498,136

Pelorus is focused on growing the rental income and long-term capital values of controlled properties. Our three largest current projects are the Bakehouse Quarter in North Strathfield, The Woods in Villawood and Trentham City in Wellington, New Zealand. In each case we are implementing significant transformation strategies that we believe will result in substantial revenue growth and, over time, increase asset values.

Pelorus directors are monitoring the downside potential in the property market and aim to use the group's sound financial position to take advantage of opportunities. To better position the group a proposal was announced in June to merge Pelorus with its majority of unlisted funds and related entities. The merger significantly increases Pelorus's net assets and broadens the shareholder base. The merger will result in some project debt coming onto the Pelorus balance sheet but the group's gearing will be modest. Documentation for the transaction is being prepared and will be put to shareholders at this year's Annual General Meeting in November.

The Bakehouse Quarter

The conversion of the old Arnott's biscuit factory in North Strathfield in Sydney to an Urban Business Precinct known as the Bakehouse Quarter is our largest project and our most significant asset. To date we have completed 35,000 sqm of new buildings and building conversions and a further 50,000 sqm of space is currently in various stages of planning. Over the past twelve months we have added additional office space, completed a 38 lane AMF bowling centre, and opened five new restaurants. The Bakehouse Quarter's restaurant strip now offers a variety of cuisines including Japanese, Korean, Lebanese, Italian and Indian plus a steakhouse and a gourmet pizza wine bar. From July 2007 to December 2008 the Bakehouse Quarter's gross income will increase by more than \$2 million per annum.



The directors have concluded that notwithstanding the significant shift in sentiment in economic conditions generally and specifically in the Australian property market it is not appropriate to impair the value of the company's holding in the Bakehouse Quarter Fund. The terms of the fund are such that it cannot be crystallised for any reason other than a default under prior ranking mortgage securities before the expiration of the term in 2040. As a consequence any short term fluctuations in the value of the Bakehouse Quarter must be considered in the context of the Fund's term to maturity. In addition the directors have considered the following factors:

1. The properties which comprise the Bakehouse Quarter were independently valued on 31 December 2007 by CR Richard Ellis and DTZ Pty Ltd.
2. The directors are not aware of any sales of properties which are comparable to the Bakehouse Quarter other than those referred to in the independent valuations.
3. The Bakehouse Quarter is a development site with significant areas of land which are yet to be developed and well as areas which are gradually being leased and converted into retail and commercial premises.
4. The Bakehouse Quarter gross revenue is growing along with its gradual development in the quantum noted above.
5. Construction of a significant multi deck car park and commercial/retail premises has commenced since the last valuations.
6. A number of cornerstone key tenants were granted concessional rental terms when they took occupation of their premises. The most significant of these concessional rentals will expire in December 2008.
7. Based on the independent valuation and the loan amounts of all prior ranking mortgage securities at the date of this report the loan to value ratio (excluding the Second Mortgage) is less than 45%.

The Woods at Villawood

The Woods was a distressed bulky goods centre which Pelorus is repositioning into a family lifestyle precinct. To date we have opened an AMF Bowling Centre (3,900 sqm) and a Wiggles Playland (1,000 sqm). We are currently awaiting town-planning approval for a 2,200 sqm Good Life Gym, which will see the property just under 80% leased.



Trentham City Shopping Centre

Trentham City is a distressed shopping centre and high street precinct covering two city blocks in Upper Hutt (an outer suburb of Wellington, New Zealand). Pelorus has a 40% carried interest in the project and is responsible for asset and property management. The specialty shop component of the main enclosed centre was substantially vacant when we took possession in December 2007. By Christmas 2008 we anticipate that we will have less than 9 vacancies remaining. The high street precinct presents more significant challenges, however, with trade and cash flow building in the enclosed shopping centre we have time to implement a long-term solution.

Pelorus Merger

On 19 June 2008 Pelorus announced its intention to merge with the majority of its unlisted funds and related entities. Formal documentation and an independent expert's report are being prepared and the necessary resolutions will be put to shareholders at this year's Annual General Meeting.

The most significant aspect of the merger is the scrip purchase of all units in the Bakehouse Quarter Fund (BQF). Pelorus already holds 25% of the fund and as a consequence its NTA is significantly impacted by the value of BQF units. The BQF units are held in the Pelorus books at \$4.80 per unit, which is slightly below the value implied by the most recent valuation of the underlying property. Pre-merger each 10% movement in the value of the BQF units affects the Pelorus NTA by approximately 2 cps.

It is proposed that the BQF transaction be priced at 14.5 PPI shares for each BQF unit. We are optimistic that development and leasing activity at the Bakehouse Quarter is adding value to the property but we recognise that there may be offsetting or even larger falls in value taking place in the current market. At the proposed ratio a 20% fall in the value of BQF units would result in the same NTA per share whether or not the merger was to proceed. Conversely, a rise in value of BQF Units of 20% would add 4 cps pre merger and 6 cps post merger.

DIVIDENDS PAID

On 28 September 2007 a fully franked dividend of 2 cents per share was paid to shareholders on the register at 4 September 2007. A fully franked dividend of 2 cents per share was paid on 25 June 2008 to shareholders on the register on 30 May 2008. The dividend was structured as a pro rata offer that closed oversubscribed. More than 68% of the dividend entitlement was taken by way of scrip or assignment. Pelorus directors have resolved to defer consideration of a dividend until after the merger has been determined and the ongoing structure of the group is known.

SUBSEQUENT EVENTS

In September Pelorus was appointed by an international investment banking group to manage a 60,000 sqm storage and industrial facility in Newcastle. We now are looking to grow the current uses on the site including storage and serviced offices and investigating other use options.

One of Pelorus's property management contracts was terminated on the sale of the relevant property, a 14,000 sqm retail and commercial centre in Parramatta. The centre has been distressed and in need of new direction for some time. The previous owner was financially constrained and unable to fund the leasing and refurbishment works required to reposition the centre. Pelorus has been appointed by the new owner as property manager and mandated to execute a commercial, retail and restaurant strategy.

FUTURE DEVELOPMENTS AND RESULTS

Pelorus directors anticipate a prolonged and significant deterioration in market confidence. We expect that highly geared property structures will continue to have funding difficulties and that a number will not survive. These conditions may generate material opportunities for the business.

Since the group began operations our focus has been on real estate that presents urban renewal opportunities, is distressed or is held in distressed financial structures. In the second half of the 2008 financial year we commenced and have continued to work on opportunities aimed at gaining control of distressed property structures. All costs of these activities have been expensed notwithstanding their success is as yet undetermined.

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	Position
Seph Glew	Seph has over 30 years experience in property development and structured finance. He is a founding member of the Pelorus group and is instrumental in its strategic direction. Seph qualified as a valuer and worked with the Housing Corporation of New Zealand and AMP before joining Chase Corporation in 1981. Seph rose to the position of CEO with Chase prior to the company's collapse in the late 1980's.	Executive Chairman
Stuart Brown	Stuart joined Pelorus in 2000. He is closely involved with all facets of the business and in particular the group's corporate transactions, funds management and structured finance operations. In 2006 he was appointed Chief Operating Officer and Chief Financial Officer and Managing Director in 2007. Prior to joining the group Stuart practiced as a solicitor in the areas of property and infrastructure acquisitions, sale and leasing, mergers and acquisitions and ASX listings with Mallesons and Gilbert & Tobin.	Managing Director
Guy Wynn	Guy has over 25 years in the property industry specialising in retail management, leasing, development and strategic planning. Guy heads the group's retail consultancy and management business. He spent eight years with Lend Lease including a position as Division Manager responsible with Paul Tresidder for General Property Trust's retail portfolio. In 1987 Guy formed a property management company with Paul that was purchased by Baillieu Knight Frank and then formed Wynn Tresidder with Paul and Seph in 1993. Guy will be returning from India at the end of this year where he directed the establishment of Pelorus's shopping centre management and consultancy business joint venture.	Executive Director
Paul Tresidder	Paul advises the group closely in all facets of development and leasing. He has over 25 years experience in retail management, leasing, development and strategic planning. Before joining with Seph and Guy to form Wynn Tresidder in 1993 he has held a number of positions at Lend Lease including National Leasing Manager and Division Manager responsible with Guy for General Property Trust's retail portfolio. In 1987 Guy formed a property management company with Paul Tresidder that was purchased by Baillieu Knight Frank.	Non-Executive Director
Robin Tedder	Robin has over 30 years experience in investment and financial markets and now manages private equity interests and is the Chairman of Vintage Capital Pty Ltd. He is a former member of the ASX and has served on the boards of several merchant banks in Australia and overseas, including Rand Merchant Bank Ltd, Kleinwort Benson Australia Ltd, and Australian Gilt Securities Ltd (as CEO 1988-95). He is a director of Italtile Australia Pty Ltd (a national retailer under the CTM brand, and developer of bulky goods stores) and is also a Fellow of the Financial Services Institute of Australasia.	Independent Non-Executive Director

Richard Hill	Richard Hill has extensive investment banking and management experience. He was the founding partner of Hill Young & Associates and formerly held a number of senior executive positions in Hong Kong and New York with Wardley Holdings Limited, a wholly owned subsidiary of Hong Kong & Shanghai Banking Corporation (HSBC). He was admitted as an attorney in New York State (United States of America) and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission. He is the Chairman of Sirtex Medical Limited, Insearch Limited and the Chairman of Calliden Group Limited.	Independent Non-Executive Director
--------------	---	--

Simon Hayes is the Company Secretary and is a qualified solicitor. Einfeld Symonds Vince audits the company. Amounts paid to the auditor during the year are detailed at Note 21 of the financials statements.

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	15	6	7	9
Seph Glew	15	-	7	9
Stuart Brown	15	-	-	-
Guy Wynn	15	-	-	-
Paul Tresidder	15	-	-	-
Robin Tedder	15	6	-	9
Richard Hill	15	6	7	-

DIRECTORS' RELEVANT INTERESTS

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

Director	Shares ('000)	Shares (%)
Seph Glew	17,183	15.05%
Stuart Brown	3,915	3.43%
Guy Wynn	8,566	7.50%
Paul Tresidder	15,910	13.94%
Robin Tedder	7,407	6.49%

OPTIONS

As at 30 June 2008 the company had granted options to its founding shareholders shown in the table below over ordinary shares. The options are to expire 5 years from the listing date on 19 July 2011 and are exercisable at 67.5 cents per share. The options were issued to interests associated with the directors listed.

Entity/Individual	Options ('000)
Seph Glew	2,660
Stuart Brown	600
Guy Wynn	1,400
Paul Tresidder	2,220
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.

REMUNERATION REPORT

The Board is responsible for determining the Managing Director and senior executives' remuneration. The Executive Chairman, Managing Director and Executive Directors determine employee remuneration.

When determining the remuneration of the Managing Director, senior executives and employees the following is taken into consideration:

- Remuneration is aligned with the delivery of returns to shareholders
- Responsibilities, results, innovation and entrepreneurial behaviour are recognised and rewarded
- The company's financial position and market conditions.

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 senior executives. Any performance payments are at the discretion of the Board.

The nature and the amount of each element of remuneration for key management personnel follow:

NON-AUDIT SERVICES

Amounts paid to the auditor for non-audit services during the year are detailed at Note 21 of the financials statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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.

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
Managing Director

Dated at Sydney on the 30th September 2008.

CORPORATE GOVERNANCE

ASX Corporate Governance Principles and Recommendations

The Board of Directors of Pelorus Property Group is responsible for the corporate governance of the Company. Outlined below are the company's corporate governance practices for the financial year addressing the ASX Corporate Governance Council's Principles and Recommendations.

Principle 1: Lay solid foundations 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 the Board level and the assessment of executive performance are based on reports received from executive directors and the consideration of issues by executive, non-executive and independent directors at meetings. Executive directors implement these decisions.

Principle 2: Structure the board to add value

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 and its Chairman is not independent. 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 Member	Paul Tresidder
Independent and Non-Executive Board Members	Robin Tedder Richard Hill

The board's primary focus is on driving returns to shareholders by growing Net Tangible Assets and earnings per share over the long term. The board considers 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 senior executives are issues that 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.

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 management and leasing
- Property development.

The Board’s current composition has operated since the company’s listing date, 20 July 2006. Pelorus does not foresee the composition changing in the near future and therefore has not established a nomination committee. The board considers that the independence of a director is not compromised simply by the fact that the director is a significant shareholder in the company or a significant investor in the company’s projects. As a consequence the board regards Robin Tedder and Richard Hill as independent directors notwithstanding that each is significantly invested in either the company’s projects, its shares or both.

Principle 3: Promote ethical and responsible decision making

Pelorus has a number of work groups that meet either weekly, fortnightly or monthly. Director and 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. Directors and employees are encouraged to report any suspected unethical or irresponsible behaviour to the Compliance Officer.

Principle 4: Safeguard integrity in financial reporting

Financial reports are prepared through the collaboration of senior management, executive directors and the Chairman.

The Audit Committee consists of two independent non-executive directors. The committee reviews the auditing process for half-yearly and annual reports and meets prior to, during and post the audit to discuss. During meetings the committee minutes its roles and responsibilities in regards to the audit addressing the need for a formal charter. The committee has direct access to the auditor during the auditing period and the auditor attends the committee meetings. The committee may make a recommendation to the Board.

Principle 5: Make timely and balanced disclosures

Pelorus undertakes market disclosure. The Executive Chairman and Managing Director manage investor relations and the release 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 and any financial results released include commentary from directors. The company maintains a timetable for its compliance and periodic disclosure requirements.

Principle 6: Respect the rights of shareholders

Pelorus undertakes a number of measures to ensure its shareholders are informed of its operations including:

- The Executive Directors are available to shareholders
- The Executive Chairman and Managing Director make themselves available to independent research houses, brokers and other participants in the financial markets
- Maintaining an “Investor Key Dates” section on its website and updating the website continually
- Making available Pelorus’s annual and half-yearly reports electronically via email and web site

- Enabling access to Pelorus's external auditor at the Annual General Meeting
- Places on its website all releases to the ASX and the media, and full notices of all meetings and company information on its website including access to archived information
- Publishes director interviews and market announcements on commercial market information services.

Principle 7: Recognise and managing risk

Pelorus identifies and manages risk through a framework managed by the executive directors. Risks are reported to the Board by management executives at each Board meeting and the Chairman may call an extraordinary meeting when circumstances require. The Board has received confirmation from the Managing Director that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control.

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. The compliance committee is constituted as an audit committee for the purposes of the audit of the registered schemes.

Principle 8: Remunerate fairly and responsibly

The Board actively encourages and promotes efficiency, innovation and entrepreneurialism. Senior management meetings are held weekly to discuss issues and opportunities. The Managing Director and senior executives 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. The Executive Chairman, Managing Director and Executive Directors determine employee remuneration. Further details of the Board's approach to remuneration are detailed in the Remuneration Report.

SHAREHOLDERS

As at 29 September 2008 the company's top 20 shareholdings were:

Investor	Ordinary Shares ('000)	Share %
1 SENO MANAGEMENT PTY LTD	11,800	10.34%
2 LYMKEESH PTY LTD	11,286	9.89%
3 CASTLEBAY PTY LTD	7,903	6.92%
4 GLENAHILTY PTY LIMITED	7,721	6.76%
5 VINTAGE CAPITAL PTY LTD	6,463	5.66%
6 KOONTA PTY LTD	4,194	3.67%
7 FROGSTORM PTY LTD	3,607	3.16%
8 FORTIS CLEARING NOMINEES P/L	3,435	3.01%
9 TRUST COMPANY SUPERANNUATION	2,602	2.28%
10 SAO INVESTMENTS PTY LTD	2,496	2.19%
11 VINTAGE CAPITAL PTY LIMITED	2,316	2.03%
12 KOONTA PTY LTD	1,700	1.49%
13 PAGODATREE INVESTMENTS LIMITED	1,660	1.45%
14 TRUEBELL CAPITAL PTY LTD	1,579	1.38%
15 ANZ NOMINEES LIMITED	1,430	1.25%
16 JAGAR PROPERTY CONSULTANTS PTY LTD	1,420	1.24%
17 SENO MANAGEMENT PTY LTD	1,357	1.19%
18 BOND STREET CUSTODIANS LIMITED	1,154	1.01%
19 LOST ARK NOMINEES PTY LIMITED	1,109	0.97%
20 OLD BEAR PTY LTD	1,096	0.96%

As at 29 September 2008 the substantial shareholders as disclosed in substantial holding notices to the company were:

Investor	Ordinary Shares	Advised Share %
SEPH GLEW	16,997,009	14.96%
PAUL TRESIDDER	16,637,804	14.64%
SENO MANAGEMENT PTY LTD ATF TAIPA DISC TRUST	13,043,169	11.48%
LYMKEESH PTY LTD	12,721,934	11.19%
VINTAGE CAPITAL PTY LTD	7,975,843	7.02%
GUY WYNN	8,566,201	7.54%
CASTLEBAY PTY LTD	8,566,201	7.54%
GLENAHILTY PTY LTD	6,720,873	7.07%
ROBIN TEDDER	6,356,691	5.59%
KOONTA PTY LTD	5,500,000	5.24%

As at 29 September 2008 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	98
10,001-100,000	319
100,001 and over	111
Total number of shareholders	626

Pelorus has 21 holders of less than a marketable parcel.

The company has 114,160,036 ordinary shares on issue as at 29 September 2008. 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



• CHARTERED ACCOUNTANTS •

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

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 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Dated at Sydney the 30th day of September 2008.

Einfeld Symonds Vince
Chartered Accountants

Chris Kirkwood
Partner





• CHARTERED ACCOUNTANTS •

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Independent Audit Report

Scope

We have audited the accompanying general purpose financial report of Pelorus Property Group Limited ("the Company") and Controlled Entities ("Consolidated entity") which comprises the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the year ended on that date.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensure that the financial report, comprising the financial statements and notes, complies with the International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express a opinion on the financial report based on our audit. We conducted our audit in accordance with the Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatements.

An audit consists of performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of Australian professional and 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.

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.

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



Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Independent Audit Report

Auditor's Opinion

In our opinion, the financial report of Pelorus Property Group Limited is in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the financial position of the Company as at 30 June 2008 and of its performance for the year ended on that date; and
- (b) complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 9 of the Directors' Report for the year ended 30 June 2008. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Pelorus Property Group Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

Dated at Sydney the 30th day of September 2008.



Einfeld Symonds Vince
Chartered Accountants



Christopher Kirkwood
Partner

EINFELD
SYMONDS VINCE

• CHARTERED ACCOUNTANTS •

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 2008 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
Managing Director
Pelorus Property Group Ltd

Dated at Sydney on the 30th September 2008.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Income Statement

30 June 2008

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
Fund Management Fees		3,793,292	2,804,466	3,793,292	2,804,466
Property Services Income		4,339,604	4,453,387	-	-
Investment Income	3(a)	2,365,240	6,054,212	2,309,742	5,939,832
Total revenue		10,498,136	13,312,065	6,103,034	8,744,298
Employee costs	4(a)	(3,426,932)	(3,380,219)	(586,284)	(414,906)
Marketing costs		(77,847)	(141,847)	(37,122)	(128,133)
Occupancy costs	4(b)	(199,472)	(171,008)	-	-
Administrative costs		(971,307)	(655,352)	(468,113)	(205,568)
Finance costs		(16,491)	(7,485)	(8,428)	(365)
Depreciation expense		(76,626)	(48,306)	-	-
Mergers and acquisition expenses		(200,097)	-	(200,097)	-
Other expenses		(700,729)	(653,878)	(71,032)	(84,142)
Profit before income tax		4,828,635	8,253,970	4,731,958	7,911,184
Taxation	6(b)	(1,343,143)	(2,353,678)	(1,293,157)	(2,243,456)
Profit for the period		3,485,492	5,900,292	3,438,801	5,667,728
Minority interest		(12,014)	(10,251)	-	-
Profit attributable to members of the parent		3,473,478	5,890,041	3,438,801	5,667,728

Earnings Per Share:

Continuing operations:

Basic earnings per share	\$	0.03	\$	0.06	\$	-	\$	-
Diluted earnings per share	\$	0.03	\$	0.06	\$	-	\$	-

The accompanying notes form part of the financial statements

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Balance Sheet

As At 30 June 2008

		Consolidated		Parent	
	Note	2008	2007	2008	2007
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	7	4,561,003	1,875,587	4,005,001	1,773,450
Trade and other receivables	9	1,452,279	1,586,695	929,471	969,927
Other financial assets	10(a)	29,399,323	25,804,843	29,697,994	25,775,420
Other assets	15	20,873	8,145	-	-
Total current assets		35,433,478	29,275,270	34,632,466	28,518,797
Non-current assets					
Investments accounted for using the equity method	11	43,301	-	43,301	-
Other financial assets	10(b)	4,194,000	7,455,780	5,827,706	9,081,635
Property, plant and equipment	13	304,760	313,486	-	-
Deferred tax	18(a)	31,363	46,169	-	-
Intangible assets	14	1,582,728	1,544,729	29,404	-
Total non-current assets		6,156,152	9,360,164	5,900,411	9,081,635
TOTAL ASSETS		41,589,630	38,635,434	40,532,877	37,600,432
LIABILITIES					
Current liabilities					
Trade and other payables	16	1,188,536	694,685	776,649	221,741
Current tax payable	18(b)	302,013	425,290	215,067	416,324
Provisions	17	138,505	119,027	-	-
Total current liabilities		1,629,054	1,239,002	991,716	638,065
Non-current liabilities					
Deferred tax	18(b)	1,435,686	1,161,245	1,435,686	1,161,245
Provisions	17	31,793	34,607	-	-
Total non-current liabilities		1,467,479	1,195,852	1,435,686	1,161,245
TOTAL LIABILITIES		3,096,533	2,434,854	2,427,402	1,799,310
NET ASSETS		38,493,097	36,200,580	38,105,475	35,801,122
EQUITY					
Issued capital	19	34,961,702	31,742,192	34,961,702	31,742,192
Reserves		(58,526)	-	-	-
Distributable reserve		3,562,756	4,443,237	3,143,773	4,058,930
Parent interest		38,465,932	36,185,429	38,105,475	35,801,122
Minority equity interest		27,165	15,151	-	-
TOTAL EQUITY		38,493,097	36,200,580	38,105,475	35,801,122

The accompanying notes form part of the financial statements

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Statement of Changes in Equity

30 June 2008

30 June 2008

	Ordinary Shares \$	Parent Retained Earnings \$	Total \$
Balance at 1 July 2007	31,742,192	4,058,930	35,801,122
Profit attributable to members	-	3,438,801	3,438,801
Issue of shares	3,219,510	-	3,219,510
Dividends paid or provided for	20	(4,353,958)	(4,353,958)
Balance at 30 June 2008	34,961,702	3,143,773	38,105,475

30 June 2007

	Ordinary Shares \$	Parent 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	20	(1,610,000)	(1,610,000)
Balance at 30 June 2007	31,742,192	4,058,930	35,801,122

The accompanying notes form part of the financial statements

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Statement of Changes in Equity

30 June 2008

30 June 2008

	Ordinary Shares \$	Retained Earnings \$	Consolidated Foreign Currency Translation Reserve \$	Total \$
Balance at 1 July 2007	31,742,192	4,443,236	-	36,185,428
Unrealised exchange loss on investment in foreign subsidiary	-	-	(58,526)	(58,526)
Profit attributable to members	-	3,473,478	-	3,473,478
Issue of shares	3,219,510	-	-	3,219,510
Dividends paid or provided for	20	(4,353,958)	-	(4,353,958)
Balance at 30 June 2008	34,961,702	3,562,756	(58,526)	38,465,932

30 June 2007

	Ordinary Shares \$	Retained Earnings \$	Consolidated Foreign Currency Translation Reserve \$	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
Restatement of prior year error in acquisition of subsidiaries	(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	20	(1,610,000)	-	(1,610,000)
Balance at 30 June 2007	31,742,192	4,443,237	-	36,185,429

The accompanying notes form part of the financial statements

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Cash Flow Statement

30 June 2008

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
Cash from operating activities:					
Receipts from customers		7,969,891	5,791,724	3,536,327	1,916,035
Payments to suppliers and employees		(5,112,521)	(4,860,510)	(850,541)	(1,387,557)
Dividends received		20,069	48,650	20,069	48,650
Interest received		1,202,979	1,475,094	1,122,305	1,365,686
Interest paid		(16,491)	(7,485)	(8,428)	(365)
Income taxes paid		(1,201,776)	(1,334,857)	(1,177,172)	(1,314,742)
Net cash provided by (used in) operating activities	8(a)	2,862,151	1,112,616	2,642,560	627,707
Cash flows from investing activities:					
Proceeds from disposal of investments		2,591,501	-	2,591,501	-
Acquisition of property, plant and equipment		(67,900)	(179,219)	-	-
Acquisition of other investments		(322,849)	(25,864,327)	(322,849)	(25,934,168)
Loans to employees		(35,542)	(375,813)	-	(346,390)
Repayment from employees		157,349	-	157,349	-
Payment for research and development		(37,999)	-	(29,404)	-
Loans to related parties		(3,865,887)	(2,350,000)	(3,836,380)	(1,900,000)
Loans to controlled entity		-	-	(375,818)	-
Repayments from related parties		2,539,041	1,785,000	2,539,041	1,785,000
Net cash provided by (used in) investing activities		957,714	(26,984,359)	723,440	(26,395,558)
Cash flows from financing activities:					
Proceeds from the issue of share capital		3,219,510	30,185,592	3,219,510	30,185,593
Dividends paid by parent entity		(4,353,959)	(3,110,000)	(4,353,959)	(3,110,000)
Net cash provided by (used in) financing activities		(1,134,449)	27,075,592	(1,134,449)	27,075,593
Net increase (decreases) in cash held		2,685,416	1,203,849	2,231,551	1,307,742
Cash at beginning of financial year		1,875,587	671,738	1,773,450	465,708
Cash at end of financial year	7(b)	4,561,003	1,875,587	4,005,001	1,773,450

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

30 June 2008

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 2008 was authorised for issue in accordance with the resolution of the directors on 19 August 2008.

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.

Presentation of financial statements

Presentation currency

These financial statements are presented in Australian dollars, which is the functional currency of the Group.

Comparative Figures

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

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

30 June 2008

1 Statement of Significant Accounting Policies continued

Principals of Consolidation

Controlled entities

A list of controlled entities is contained in Note 25 to the financial statements. All controlled entities have a June financial year-end and use consistent accounting policies.

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.

Investments in subsidiaries held by Pelorus Property Group Limited are accounted for at cost in the separate financial statements of the parent entity.

Minority interests

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Foreign currency translation

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

1 Statement of Significant Accounting Policies continued

Foreign currency translation continued

Group companies continued

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

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 accumulated depreciation and impairment losses.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

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.

Useful life

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.

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 within "other income" in profit and loss in the year the asset is derecognised.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

1 Statement of Significant Accounting Policies continued

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.

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.

An impairment loss is recognised if the carrying value of an asset exceeds its recoverable amount. Impairment losses are expensed to the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

Research and development

Research costs are expensed when incurred. Development costs are capitalised to the extent that recovery of these costs is assured, and are amortised over the life of the property services agreement.

Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Recognition

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flow from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular way of purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

1 Statement of Significant Accounting Policies continued

Financial Instruments continued

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.

Loans and receivables

Loans and receivables including loans to related entities and 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

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured 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.

Non-current assets held-for-sale

Non-current assets held-for-sale comprise of assets that are to be disposed of within 12 months of balance date. Upon initial classification as held-for-sale, non-current assets are recognised at lower of carrying amount and fair value less cost to sell.

Revaluations on initial classification as held-for-sale are included in the Income Statement.

Net gains from disposal of non-current assets sales are recognised in the Income Statement at the date the control of the asset passes to the buyer.

Financial liabilities

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

Fair value

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments in related party unlisted unit trusts, fair values are determined by reference to independent valuations of the underlying properties offered as security.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

1 Statement of Significant Accounting Policies continued

Financial Instruments continued

Impairment

At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impaired. A financial instrument is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. 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.

An impairment loss in respect of a financial instrument measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial instruments are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial instruments measured at amortised cost, the reversal is recognised in profit and loss. For available-for-sale financial instruments that are equity securities, the reversal is recognised directly in equity.

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 acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

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*.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

1 Statement of Significant Accounting Policies continued

Intangibles continued

Goodwill continued

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 2008, there is no indication that impairment exists.

Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies. The Group generally deems they have significant influence if they have between 20% to 50% of the voting rights.

Under the equity method of accounting, investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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 there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. Bad debts are written off when identified as uncollectible.

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

30 June 2008

1 Statement of Significant Accounting Policies continued

Employee Benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contribution to defined contribution plans are recognised as a personnel expense in profit and loss when they are due.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. These employee benefits have not been discounted to the present value of the estimated future cash outflows to be made for those benefits.

Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employee's services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs.

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 managed investment schemes is recognised when it becomes legally due and payable to the company.

Revenue from property services contracts is recognised monthly in arrears.

Finance income

Finance income comprises interest on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit and loss.

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

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

1 Statement of Significant Accounting Policies continued

Revenue continued

Dividend revenue is recognised when the right to receive a dividend has been established, which in the case of quoted securities is the ex-dividend date.

Foreign currency gains or losses are reported on a net basis.

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 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.

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 tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

1 Statement of Significant Accounting Policies continued

Income Tax continued

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. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Pelorus Property Group Limited.

In addition to its own current and deferred tax amounts, Pelorus Property Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

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

30 June 2008

1 Statement of Significant Accounting Policies continued

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report.

- * Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interest. Key changes include: the immediate expensing of all transactions costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- * AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Executive Officer in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business segments. Application of this standard will not affect any of the amounts in the financial statements, but may impact the type of information disclosed in relation to the Group's segment reporting.
- * Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. Application of this standard will not affect any of the amounts in the financial statements, but may result in changes in terminology used in the financial statements.
- * Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/ retained investment when control is obtained/ lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

2 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group management and internal reporting structure. There is only one geographical segment being Australia.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

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

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

2 Segment Reporting continued

	Funds Management		Property Services		Investment		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Revenue from external customers:								
Income	3,793,292	2,804,466	4,339,604	4,453,387	2,365,240	6,054,212	10,498,136	13,312,065
Total revenue	3,793,292	2,804,466	4,339,604	4,453,387	2,365,240	6,054,212	10,498,136	13,312,065
RESULT								
Segment results	2,456,851	2,127,198	2,334,943	1,087,928	36,841	5,038,844	4,828,635	8,253,970
Unallocated expenses:								
Income tax expense	-	-	-	-	-	-	(1,343,143)	(2,353,678)
Net profit for the year	-	-	-	-	-	-	3,485,493	5,900,292
ASSETS								
Segment assets	1,265,067	2,440,602	2,406,891	1,144,012	37,886,309	35,004,650	41,558,267	38,589,264
Unallocated assets	-	-	-	-	-	-	31,363	46,170
Total assets	1,265,067	2,440,602	2,406,891	1,144,012	37,886,309	35,004,650	41,589,630	38,635,434
LIABILITIES								
Segment liabilities	607,566	239,606	630,921	608,712	-	-	1,238,487	848,318
Unallocated liabilities	-	-	-	-	-	-	1,858,046	1,586,536
Total liabilities	607,566	239,606	630,921	608,712	-	-	3,096,533	2,434,854

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

2 Segment Reporting continued

	Funds Management		Property Services		Investment		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$
OTHER								
Depreciation	-	-	76,626	48,306	-	-	76,626	48,306

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

3 Revenue

(a) Investment income

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Dividends from listed shares	20,069	48,650	20,069	48,650
Finance income from financial institutions	287,631	957,975	206,957	848,566
Finance income from related parties	915,348	517,119	915,348	517,119
Gains on disposal of assets	262,165	659,651	287,341	654,680
Unrealised gains on revaluation of non-current assets held-for-sale	880,027	3,870,817	880,027	3,870,817
Total other revenue	2,365,240	6,054,212	2,309,742	5,939,832

4 Included in income statement under expenses by function

(a) Employee costs

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Salaries & wages	2,391,039	2,340,897	-	-
Directors' Fees	240,000	180,000	240,000	180,000
(Decrease) / increase in liability for annual leave	19,800	(51,460)	-	-
(Decrease) / increase in liability for long service leave	(2,814)	(22,349)	-	-
Contributions to defined contribution superannuation funds	186,023	239,169	-	-
Consultant fees	346,284	514,252	346,284	228,543
Other associated personnel expenses	246,600	179,710	-	6,363
Total employee costs	3,426,932	3,380,219	586,284	414,906

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

4 Included in income statement under expenses by function continued

(b) Occupancy costs

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Rental Outgoings	199,472	171,008	-	-
Total occupancy costs	199,472	171,008	-	-

5 Finance income and expense

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Finance income				
Interest income on bank deposits	287,631	957,975	206,957	848,567
Interest income on unimpaired loans and receivables	434,922	517,119	434,922	517,119
Interest income on available-for-sale financial assets	480,426	-	480,426	-
Dividend income on held-for-trading financial assets	20,069	48,650	20,069	48,650
Net gain on disposal of held-for-trading financial assets	262,165	659,651	287,341	654,680
Net change in fair value of non-current assets held-for-sale	880,027	3,870,817	880,027	3,870,817
Total finance income	2,365,240	6,054,212	2,309,742	5,939,833
Finance expense:				
Interest expense on financial liabilities measured at amortised cost	16,449	7,485	8,428	365
Net foreign exchange loss	-	-	870	-
Total finance expense	16,449	7,485	9,298	365
Net finance income and expense	2,348,791	6,046,727	2,300,444	5,939,468

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

6 Income Tax Expense

(a) The components of tax expense comprise:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current tax	1,069,533	1,180,994	1,034,353	1,082,211
Relating to origination and reversal of temporary differences	266,206	1,172,684	264,009	1,161,245
Over/ (under) provision in prior year	7,404	-	(5,205)	-
Total income tax expense	1,343,143	2,353,678	1,293,157	2,243,456

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2007: 30%)				
- Consolidated entity	1,448,591	2,476,191	1,419,588	2,373,355
Add:				
Tax effect of:				
- Entertainment	3,380	7,501	-	-
- Gross up imputation credits	2,580	6,255	2,580	6,255
- Non allowable donations	-	68	-	-
- Penalties	429	-	99	-
- Under provision in prior year	7,404	-	-	-
- Tax rate differential of foreign subsidiary	4,664	-	-	-
Less:				
Tax effect of:				
- Costs of issuing equity	115,304	115,304	115,304	115,304
- Imputation credits offset	8,601	20,850	8,601	20,850
- Over provision in prior year	-	183	5,205	-
Income tax attributable to entity	1,343,143	2,353,678	1,293,157	2,243,456

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

7 Cash and Cash Equivalents

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash on hand	500	500	-	-
Cash at bank	4,560,503	1,875,087	4,005,001	1,773,450
Total cash and cash equivalents	4,561,003	1,875,587	4,005,001	1,773,450

(a) Effective Interest Rate

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

(b) Reconciliation of Cash

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
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	4,561,003	1,875,587	4,005,001	1,773,450
	4,561,003	1,875,587	4,005,001	1,773,450

(c) Short term bank deposits

For details on short term bank deposits, please refer to the Directors' Report.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

8 Cash Flow Information

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Net income/loss for the period	3,485,492	5,900,292	3,438,801	5,667,728
Non-cash flows in profit				
Depreciation	76,626	48,306	-	-
Net (gain)/loss on disposal of investments	(262,165)	(659,651)	(287,341)	(654,680)
Unrealised (gains)/losses on investments	(880,027)	(3,870,817)	(880,027)	(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	101,100	(513,091)	(243,228)	22,386
(Increase)/decrease in other receivables	(264,105)	(953,038)	(13,737)	(910,817)
(Increase)/decrease in prepayments	(12,728)	1,480,206	-	1,488,351
Increase/(decrease) in trade payables and accruals	426,358	(1,283,769)	548,677	(2,114,286)
Increase/(decrease) in income taxes payable	(114,311)	(161,403)	(195,026)	(161,403)
Increase/(decrease) in deferred taxes balances	289,247	1,172,866	274,441	1,161,245
Increase/(decrease) in provisions	16,664	(36,831)	-	-
Cashflow from operations	2,862,151	1,112,616	2,642,560	627,707

9 Trade and Other Receivables

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
CURRENT				
Trade receivables	472,159	573,259	243,228	-
Security deposit against contingent interest payable	229,259	-	-	-
Equity subscriptions receivable	686,243	-	686,243	-
Sundry receivables	64,618	1,013,436	-	969,927
Total trade and other receivables	1,452,279	1,586,695	929,471	969,927

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

10 Financial Assets

(a) Current financial assets

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
Listed shares	10(c)	401,252	638,000	401,252	638,000
Non-current asset held-for-sale financial assets	10(d)	23,566,920	22,441,030	23,566,920	22,441,030
Loans and receivables	10(e)	5,431,150	2,725,813	5,729,822	2,696,390
Total current financial assets		29,399,322	25,804,843	29,697,994	25,775,420

(b) Non-current financial assets

Available for sale	10(f)	4,194,000	7,455,780	4,194,000	7,455,780
Shares in controlled entities	10(g)	-	-	1,633,706	1,625,855
Total non-current financial assets		4,194,000	7,455,780	5,827,706	9,081,635

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

Listed securities		401,252	638,000	401,252	638,000
Total held-for-trading financial assets		401,252	638,000	401,252	638,000

Held-for trading financial assets comprise of investments in listed securities. The fair value of the listed financial assets are based on current bid prices for quoted investments.

(d) Non-Current Assets Held-For-Sale Comprise:

Units in unlisted unit trusts		23,566,920	22,441,030	23,566,920	22,441,030
Total non-current assets held-for-sale		23,566,920	22,441,030	23,566,920	22,441,030

The units in the Bakehouse Quarter Fund of \$23,566,920 as at 30 June 2008 are continued to be presented as a held-for-sale asset in view of management's intention to establish an opportunistic fund to acquire the asset. The classification of this asset will be reviewed at 31 December 2008 following the outcome of the proposed consolidation of the Group which is subject to shareholders' approval.

The sole asset of the Bakehouse Quarter Fund is a PIPES mortgage to the owners of the underlying properties collectively known as 'The Bakehouse Quarter'. The fair value of the investment in the Bakehouse Quarter Fund is based on the mortgage given by the trust. The value of the mortgage has been tested for impairment with reference to independent property valuations performed by CB Richard Ellis and DTZ dated 31 December 2007, on the underlying properties given as security for the mortgage.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

10 Financial Assets continued

(e) Loans and Receivables Comprise:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Loans and receivables to related parties	4,957,306	2,539,041	4,947,421	2,539,041
Loans to non-executive employees	67,261	186,772	-	157,349
Loans and receivables to non-related party	406,583	-	406,583	-
Loans and receivables to controlled entity	-	-	375,818	-
Total loans and receivables	5,431,150	2,725,813	5,729,822	2,696,390

Loans and receivables are recorded at amortised cost.

(f) Available-for-sale Financial Assets Comprise:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Units in unlisted unit trusts	4,094,000	7,436,980	4,094,000	7,436,980
Other financial assets	100,000	18,800	100,000	18,800
Total available-for-sale financial assets	4,194,000	7,455,780	4,194,000	7,455,780

The units held at 30 June 2008 are in the Pelorus Penrith No. 2 Fund which holds, as its sole asset a PIPES mortgage to the owners of the underlying property. The fair value of the investment in the Pelorus Penrith No. 2 Fund of \$4,094,000 for 2008 is based on the mortgage given by the trust. The value of the mortgage has been tested for impairment with reference to an independent property valuation performed by Oracle Property (NSW) Pty Limited dated 30 November 2006, on the underlying property given as security for the mortgage. It is noted that the underlying property would need to decline in value by 20% for the repayment of the PIPES mortgage to be affected.

Other available-for-sale financial assets have been recorded at cost.

(g) Investments in controlled entities:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Shares in controlled entities	-	-	1,633,706	1,625,855
Total investment in controlled entities	-	-	1,633,706	1,625,855

Investment in controlled entities is recorded at cost.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

11 Investments Accounted for Using the Equity Method

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
Associated companies	12	10,000	-	10,000	-
Interests in joint venture entities	12	33,301	-	33,301	-
Total investments		43,301	-	43,301	-

12 Associated Companies

Interests are held in the following associated company:

Name	Principal Activities	Country of Incorporation	Ownership Interest		Carrying Amount of Investment	
			2008	2007	2008	2007
			%	%	\$	\$
Unlisted:						
Pelorus Storage Advantage Pty Limited	Financial services and management company	Australia	33.00	-	10,000	-
WT Retail Services (India) Private Limited	Property management company	India	50.00	-	33,301	-

At 30 June 2008, the results of the Group's associate, Pelorus Storage Advantage Pty Limited which the Group holds 33% equity interest, are immaterial and are not included in the consolidated financial statements.

13 Property Plant and Equipment

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
PLANT AND EQUIPMENT				
Furniture, fixtures and fittings				
At cost	280,911	224,905	-	-
Less accumulated depreciation	(81,538)	(37,578)	-	-
Total furniture, fixtures and fittings	199,373	187,327	-	-
Office equipment				
At cost	278,236	238,067	-	-
Less accumulated depreciation	(172,849)	(111,908)	-	-
Total office equipment	105,387	126,159	-	-
Total property, plant and equipment	304,760	313,486	-	-

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

13 Property Plant and Equipment continued

(a) Movements in Carrying Amounts

Consolidated

	Furniture, Fixtures and Fittings	Office Equipment	Total
	\$	\$	\$
Current Period			
Balance at the beginning of period	187,327	126,159	313,486
Additions	56,007	40,311	96,318
Depreciation expense	(38,506)	(38,122)	(76,628)
Disposals	(5,455)	(22,961)	(28,416)
Balance at 30 June 2008	199,373	105,387	304,760
30 June 2007			
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)
Carrying amount at the end of year	187,327	126,159	313,486

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

14 Intangible Assets

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Goodwill				
Goodwill on consolidation	1,544,729	1,544,729	-	-
Net carrying value	1,544,729	1,544,729	-	-
Development costs				
At cost	37,999	-	29,404	-
Net carrying value	37,999	-	29,404	-
Total Intangibles	1,582,728	1,544,729	29,404	-

Goodwill was acquired through the acquisition of 100% of the issued capital of Wynn Tresidder Management Pty Ltd and DDT Projects Pty Ltd on 1 July 2005. The goodwill has been allocated to the property services segment. The calculation of value in use has been based on known continuing contracted property management services. The goodwill is fully recoverable in less than 12 months.

15 Prepayments

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
CURRENT				
Prepayments	20,873	8,145	-	-
Total prepayments	20,873	8,145	-	-

16 Trade and Other Payables

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Trade payables	1,008,920	641,895	612,843	110,761
Intercompany tax payable	-	-	42,800	36,569
Sundry payables and accrued expenses	59,269	52,790	659	74,411
Dividend payable	120,347	-	120,347	-
Total trade and other payables	1,188,536	694,685	776,649	221,741

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

17 Provisions

	Employee entitlements	Total
	\$	\$
Opening balance at 1 July 2007	153,634	153,634
Additional provisions	194,990	194,990
Amounts used	(178,326)	(178,326)
Balance at 30 June 2008	170,298	170,298

(a) Analysis of Total Provisions

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current	138,505	119,027	-	-
Non current	31,793	34,607	-	-
Total provisions	170,298	153,634	-	-

The number of employees for the group as at 30 June 2008 is 28 (30 June 2007:26).

18 Tax

(a) Assets

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
NON-CURRENT				
Deferred tax assets comprise:				
Employee entitlements	31,363	46,169	-	-
Total non current tax assets	31,363	46,169	-	-

(b) Liabilities

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
CURRENT				
Income tax	302,013	425,290	215,067	416,324
Total current tax liabilities	302,013	425,290	215,067	416,324
NON-CURRENT				
Deferred tax liability comprises:				
Fair value adjustments	1,435,686	1,161,245	1,435,686	1,161,245
Total non-current tax liabilities	1,435,686	1,161,245	1,435,686	1,161,245

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

19 Issued Capital

(a) Summary Table

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
113,649,724 (30 June 2007: 107,650,320) Ordinary	34,961,702	31,742,192	34,961,702	31,742,192
Total issued capital	34,961,702	31,742,192	34,961,702	31,742,192

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

(b) Movement in shares on issue

	Consolidated		Parent	
	2008	2007	2008	2007
	No.	No.	No.	No.
At the beginning of reporting period	107,650,320	44,000,000	107,650,320	44,000,000
Shares issued during the year:				
Issued on Initial Public Offer	-	48,000,000	-	48,000,000
Issued for acquisition of Alerik Unit Trust	-	839,293	-	839,293
Dividend Reinvestment Plan	1,668,143	1,615,598	1,668,143	1,615,598
Issued for acquisition of Bakehouse Quarter Fund	364,590	13,195,429	364,590	13,195,429
Pro-rata issue	3,966,671	-	3,966,671	-
At reporting date	113,649,724	107,650,320	113,649,724	107,650,320

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.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

20 Dividends

(a) Dividends and distributions paid table

Distributions paid

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Payment of final fully franked ordinary dividend of 2 cents per share	2,160,297	-	2,160,297	-
Payment of interim fully franked ordinary dividend of 1.75 cents per share	-	1,610,000	-	1,610,000
Payment of interim fully franked ordinary dividend of 2 cents per share	2,193,661	-	2,193,661	-
Total distributions	4,353,958	1,610,000	4,353,958	1,610,000

b Balance of franking account

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
The amount of franking credits available for the subsequent financial year are:				
- franking account balance as at the end of the period at 30% (2007: 30%)	(544,426)	133,189	(544,426)	133,189
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	242,857	416,324	242,857	416,324
Total franking account balance	(301,569)	549,513	(301,569)	549,513

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

21 Auditors' Remuneration

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
- Auditing or reviewing the financial report	75,000	61,684	75,000	48,384
- Auditing or reviewing the financial report of the Managed Investment Schemes for whom Pelorus acts as Responsible Entity	21,590	16,500	21,590	16,500
- Taxation services	13,450	8,000	13,450	8,000
- Other services	6,685	4,000	6,685	4,000
Total auditors' remuneration	116,725	90,184	116,725	76,884

22 Capital and Leasing Commitments

Operating Lease Commitments

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Payable - minimum lease payments				
- not later than 12 months	186,960	151,048	-	-
Total operating lease commitments	186,960	151,048	-	-

Capital Commitments

There are no capital commitments as at 30 June 2008 (30 June 2007: Nil).

23 Contingent Liabilities and Contingent Assets

In respect of HBOS senior debt facilities provided to the Trentham City, Wellington New Zealand shopping centre for which Pelorus Management (NZ) Limited has an equity interest and acts as property and asset manager. The owners including Pelorus Management (NZ) Limited have provided a cash deposit totaling NZD\$745,000 to cover any shortfall in interest payable on the senior debt facilities for an initial term of 12 months. Pelorus Management (NZ) Limited's share of this cash deposit amounts to NZD\$280,000. The cash deposit is shown as an asset in the financial statements at Note 9 'Trade and Other Receivables'.

24 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

30 June 2008

25 Controlled Entities

Name	Country of incorporation	Percentage Owned 2008	Percentage Owned 2007
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	51
Pelorus Management (NZ) Limited	New Zealand	100	-
WRV Pty Limited *	Australia	100	-

* The results and net assets of WRV Pty Limited have not been consolidated on the basis it has not traded during the period and its net assets are immaterial to the Group as it acts solely as the trustee of WRV Unit Trust.

26 Related party transactions

(a) Detailed table

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Management fees received				
Kirela Pty Ltd (Bakehouse Quarter Fund)	2,558,768	1,907,457	927,437	1,581,777
JPS Properties Pty Ltd	27,642	34,189	-	-
Mosman Branch Pty Ltd	15,443	16,200	-	-
Alerik Pty Ltd	211,221	191,125	74,500	146,555
Claremont Street Pty Ltd	258,238	5,700	-	-
Planloc Pty Ltd (Pelorus Penrith Fund No 2)	478,859	98,272	403,400	78,687
Pelorus Storage Advantage Pty Limited	4,698	-	-	-
Trentham City Investments Limited	364,558	-	-	-
WRV Pty Limited (WRV Unit Trust)	2,313,469	-	2,078,380	-
Total	6,232,896	2,252,943	3,483,717	1,807,019
Rent paid				
JPS Properties Pty Ltd	199,472	171,008	-	-
Total	199,472	171,008	-	-

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

26 Related party transactions continued

(a) Detailed table continued

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Consultancy fees paid				
Frogstorm Pty Ltd	281,998	257,109	281,998	142,829
Castle Bay Pty Ltd	64,286	257,142	64,286	85,714
Total	346,284	514,251	346,284	228,543
Interest received				
Frogstorm Pty Ltd	19,750	7,680	19,750	7,680
Alerik Pty Limited	565	-	565	-
Planloc Pty Ltd	24,480	179,393	24,480	179,393
Claremont Street Pty Ltd	-	103,867	-	103,867
Old Bear Pty Ltd	15,418	-	15,418	-
Kirela Pty Ltd	40,472	67,458	40,472	67,458
Pelorus Storage Fund	97,590	56,217	97,590	56,217
WRV Unit Trust	334,023	-	334,023	-
Pelorus Penrith Fund No.2	376,761	-	376,761	-
JPS Properties Pty Ltd	6,289	102,504	6,289	102,504
Total	915,348	517,119	915,348	517,119
Loans to related parties:				
JPS Properties Pty Ltd	-	2,100,000	-	2,100,000
Old Bear Pty Ltd	-	189,041	-	189,041
Frogstorm Pty Ltd	-	250,000	-	250,000
WRV Unit Trust	4,650,000	-	4,650,000	-
WT Retail Services (India) Private Ltd	307,306	-	-	-
Pelorus Management (NZ) Limited	-	-	375,817	-
Total	4,957,306	2,539,041	5,025,817	2,539,041

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

26 Related party transactions continued

(b) Identification of Related Parties

<u>Name</u>	<u>Entity Type</u>	<u>Directors</u>	<u>Legal/ Beneficial Interest</u>
Planloc Pty Ltd:	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder
Pelorus Penrith Fund No. 2:	Trust	-	Seph Glew, Stuart Brown
Kirela Pty Ltd:	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder
Bakehouse Quarter Fund:	Trust	-	Seph Glew, Paul Tresidder, Stuart Brown, Robin Tedder, Richard Hill
JPS Properties Pty Ltd:	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder
Mosman Branch Pty Ltd:	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder
Alerik Pty Ltd:	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder
Alerik Unit Trust:	Trust	-	Seph Glew, Paul Tresidder, Robin Tedder, Richard Hill
Claremont Street Pty Ltd:	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder
Frogstorm Pty Ltd:	Company	Stuart Brown	Stuart Brown
Old Bear Pty Ltd:	Company	David Tresidder	David Tresidder
Castle Bay Pty Ltd:	Company	Guy Wynn	Guy Wynn
Capital Storage Services Pty Ltd:	Company	Stuart Brown	Pelorus Property Group Limited
Pelorus Storage Fund:	Trust	-	Seph Glew, Stuart Brown, Guy Wynn, Paul Tresidder

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

26 Related party transactions continued

(b) Identification of Related Parties continued

<u>Name</u>	<u>Entity Type</u>	<u>Directors</u>	<u>Legal/ Beneficial Interest</u>
WRV Pty Ltd:	Company	Seph Glew, Paul Tresidder, Guy Wynn, Stuart Brown	Pelorus Property Group Limited
WRV Unit Trust:	Trust	-	Seph Glew, Paul Tresidder, Stuart Brown, Robin Tedder
Trentham City Investments Ltd:	NZ Company	Seph Glew, Stuart Brown	Pelorus Management (NZ) Limited
WT Retail Services (India) Private Ltd:	Indian Company	Guy Wynn, Paul Tresidder	Pelorus Property Group Limited
Pelorus Storage Advantage Pty Ltd:	Company	Stuart Brown	Pelorus Property Group Limited

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

26 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 2008 is:

Shares: 52,472,991 (30 June 2007: 54,642,348) Ordinary shares

Refer Note 28 for further details.

(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.

Wynn Tresidder Serviced Offices paid rental expenses of \$223,053 to JPS Properties Pty Ltd during the year. This rental expense is fully recovered from unrelated tenants and as such does not form part of occupancy costs.

(g) Consultancy fees

The Group has entered into consultancy arrangements with entities associated with 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

WRV Pty Ltd ATF WRV Unit Trust

\$4,650,000 was loaned to WRV Pty Ltd ATF WRV Unit Trust. The loan is secured by a registered caveat over real property and the company has an irrevocable right 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 0.63% per annum.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

27 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	2,220,000
Robin Tedder	1,000,000
Total	8,320,000

28 Directors' Relevant Interest

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

	Balance 1/07/2007	Options Exercised	Net Change Other*	Balance 30/06/2008
Seph Glew	15,670,167	-	1,326,842	16,997,009
Guy Wynn	7,992,590	-	573,611	8,566,201
Stuart Brown **	6,603,753	-	(2,688,467)	3,915,286
Paul Tresidder	15,648,135	-	989,669	16,637,804
Robin Tedder **	8,727,703	-	(2,371,012)	6,356,691
Total shareholding	54,642,348	-	(2,169,357)	52,472,991

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

** In October 2007, a private investment trust which holds 3,012,833 Pelorus shares and controlled by a number of Pelorus directors was restructured. As a result, both Stuart Brown's and Robin Tedder's relevant interests in the private investment trust changed. The transaction did not dilute any of the Pelorus directors' interests in Pelorus shares.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

29 Directors and Key Management Personnel Compensation

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Consulting fees				
Stuart Brown	281,998	257,109	281,998	142,829
Guy Wynn	64,286	257,142	64,286	85,714
Total consulting fees	346,284	514,251	346,284	228,543
	\$	\$	\$	\$
Directors' fees				
Seph Glew	75,000	60,000	75,000	60,000
Robin Tedder	55,000	40,000	55,000	40,000
Richard Hill	55,000	40,000	55,000	40,000
Paul Tresidder	55,000	40,000	55,000	40,000
Total directors' fees	240,000	180,000	240,000	180,000

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the directors' report.

30 Financial Instruments

(a) Financial Risk Management

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

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

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies, and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Company's and Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Group.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

30 Financial Instruments continued

(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.

(c) Price Risk

The Group is exposed to price risk through the fluctuation of share prices for listed securities held by the Group and fluctuations in the underlying value of properties used as security for investments in related party unlisted unit trusts.

(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 Group has credit risk exposure to related parties loan receivables and investments in related party unlisted unit trusts under financial instruments entered into by the Group.

The Group limits its exposure to credit risk by obtaining equitable mortgage over real property for related parties loan receivables and investment in related party unlisted unit trusts.

(e) Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Available-for-sale financial assets	4,194,000	7,455,780	4,194,000	7,455,780
Loans and receivables	5,431,150	2,725,813	5,729,822	2,696,390
Held-for-trading financial assets	401,252	638,000	401,252	638,000
Non-current assets held-for-sale	23,566,920	22,441,030	23,566,920	22,441,030
Cash and cash equivalents	4,561,003	1,875,587	4,005,001	1,773,450
	38,154,325	35,136,210	37,896,995	35,004,650

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

30 Financial Instruments continued

(f) Impairment losses

None of the Company's receivables are past due (2007: nil). The aging of the Group's trade receivables at the reporting date was:

	Consolidated				Parent			
	Gross		Impairment		Gross		Impairment	
	2008	2007	2008	2007	2008	2007	2008	2007
Not past due	\$ 442,997	\$ 477,087	\$ -	\$ -	\$ 223,159	\$ -	\$ -	\$ -
Past due 0 - 30 days	-	59,099	-	-	-	-	-	-
Past due 31 - 120 days	29,162	37,073	-	-	20,069	-	-	-
	472,159	573,259	-	-	243,228	-	-	-

Based on historic information, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 60 days. All the balances relate to customers that have good credit history with the Group.

At 30 June 2008 the Group does not have any collective impairments on its trade receivables (2007: nil).

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

30 Financial Instruments continued

(g) Fair values

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

	Consolidated				Parent			
	2008		2007		2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets								
Cash	4,561,003	4,561,003	1,875,587	1,875,587	4,005,001	4,005,001	1,773,450	1,773,450
Trade receivables	472,159	472,159	573,259	573,259	243,228	243,228	-	-
Loans receivables	5,431,150	5,431,150	2,725,813	2,725,813	5,729,822	5,729,822	2,696,390	2,696,390
Held for trading financial assets	401,252	401,252	638,000	638,000	401,252	401,252	638,000	638,000
Non-current assets held-for-sale	23,566,920	23,566,920	22,441,030	224,410,340	23,566,920	23,566,920	22,441,030	22,441,030
Available for sale financial assets	4,194,000	4,194,000	7,455,780	7,455,780	4,194,000	4,194,000	7,455,780	7,455,780
Financial liabilities								
Trade payables	1,008,920	1,008,920	641,895	641,895	612,843	612,843	110,761	110,761
Total	39,635,404	39,635,404	36,351,364	238,320,674	38,753,066	38,753,066	35,115,411	35,115,411

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

30 Financial Instruments continued

(h) 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	
	2008 %	2007 %	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
Financial Assets:										
Cash and cash equivalents	5.50	5.30	4,561,003	1,875,587	-	-	-	-	4,561,003	1,875,587
Trade receivables	-	-	-	-	-	-	472,159	573,259	472,159	573,259
Loan and receivables	8.10	7.75	-	-	5,431,150	2,725,813	-	-	5,431,150	2,725,813
Total Financial Assets			4,561,003	1,875,587	5,431,150	2,725,813	472,159	573,259	10,464,312	5,174,659
Financial Liabilities:										
Trade payables	-	-	-	-	-	-	1,008,920	641,895	1,008,920	641,895
Total Financial Liabilities			-	-	-	-	1,008,920	641,895	1,008,920	641,895

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2008

30 Financial Instruments continued

(i) Sensitivity Analysis

The Group has performed a sensitivity analysis relating to its exposure to price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results which could result from a change in these risks.

Price Risk Sensitivity Analysis

The Group's material Held-for-Sale financial asset consist of units held in Bakehouse Quarter Fund. The units are exposed primarily to property market price risk. The property market in general is affected by a range of risk variables including capitalisation rates, interest rates, inflation, rental income levels as well as general market sentiments. The sensitivity analysis below sets out the effect on the Group's profit and loss if a combination of these risk variables were to result in a movement of the unit price of the Bakehouse Quarter Fund as displayed.

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Units in Bakehouse Quarter Fund at fair value of \$23,566,920 (2007: \$21,867,048)				
- Unit price movement of 3%	1,571,128	705,389	1,571,128	705,389
- Unit price movement of (3%)	-	(705,389)	-	(705,389)
- Unit price movement of 10%	3,220,812	2,186,705	3,220,812	2,186,705
- Unit price movement of (10%)	(1,649,684)	(2,186,705)	(1,649,684)	(2,186,705)
- Unit price movement of 20%	5,656,061	4,373,410	5,656,061	4,373,410
- Unit price movement of (20%)	(4,084,933)	(4,373,410)	(4,084,933)	(4,373,410)

31 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



Pelorus Property Group Limited

ACN 091 209 639

Level 3 Yeo Street, Neutral Bay NSW 2089
Post: PO Box 612, Neutral Bay NSW 2089
Phone: (02) 9033 8611 **Fax:** (02) 9033 8600

www.pelorus.com.au