PELORUS PROPERTY GROUP

28 February 2007

ASX & Media Release

CHAIRMAN'S REPORT
PELORUS PROPERTY GROUP LTD
HALF-YEAR RESULTS AND MARKET UPDATE

Pelorus Property Group today announced a pre-tax profit of $3.6 million for the six months to December 2006 and declared a fully franked interim dividend of 1.75 cents per share.

With this result the directors are optimistic that Pelorus may exceed its prospectus forecast of $5.32 million for the year ended 30 June 2007.

Pelorus has a Dividend Reinvestment Plan and the directors have resolved that shares issued in accordance with this plan will be issued at a 5% discount to the volume weighted average price per share in the period commencing fifteen trading days prior to the record date and ending five days following the record date. The Record Date for the interim dividend will be 9 March 2007 with payment 16 April 2007.

Since listing on the Australian Stock Exchange in July 2006 Pelorus has been concentrating on completing tasks on hand and building its capabilities. We have expanded our leasing and funds management team and in the coming 6 months we expect to further enhance our management capabilities.

Funds Management, Property Services and Investment Income make up Pelorus' three profit centres and revenue from each is ahead of budget at this stage:

Funds Management – Funds management revenue as at 31 December 2006 stood at 80% of full year budget assisted by the increased value of the Bakehouse Quarter and performance fees from the termination of the first Penrith PIPES Fund. A new Penrith PIPES Fund will be launched in the next two months.

The $6.0m Pelorus Storage Fund was established in October with Pelorus taking up the majority of the issue as set out in the company's prospectus. The plan was to down-sell this issue over twenty four months but with 15% of Penrith PIPES investors electing to switch to the Storage Fund on termination of the first Penrith Fund we are now ahead of program with two-thirds of the issue sold.

Pelorus remains committed to seeking new third party mandates to add to its funds under management but we feel constrained by the yield compression developing in the commercial and retail property markets. We are working on a number of niche opportunities where we believe that our skill-set can add value and we continue to review opportunities with assets already controlled by the group.

Pelorus has made an offer to acquire all or part of the unlisted Alerik Unit Trust, which owns a commercial building in North Strathfield. Pelorus manages both the trust and the property with unitholders seeing their investment in the fund grow from $2.95 million to $7.88 million over the past three years (IRR - 30% pa). Through the acquisition of Alerik Units, Pelorus aims to secure greater control of the asset and create an opportunity for a future PIPES issue.

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Through the tender of Bakehouse Quarter Fund units and additional on-market purchases Pelorus has acquired 1,630,905 Units (8.34%) in the Bakehouse Quarter Fund (ASX code: BQF). Pelorus' average cost is $3.65 per unit, which is close to $1.00 per unit or 22% below NTA. Pelorus has today announced that the Bakehouse Quarter Fund is to be delisted and has made an offer for all of the outstanding units in the Fund. Pelorus is offering an alternative of 7.5 Pelorus Property Group Ltd shares or $3.85 cash for each BQF unit.

In addition to the 8.34% of BQF that is held by Pelorus interests associated with Pelorus directors hold a further 55% of the fund. With the exception of a parcel representing less than 1% of BQF that will accept the scrip offer, the Directors will not be accepting the Pelorus offer and will retain their investment in the unlisted BQF Trust.

Property Services – Property services revenue as at 31 December stood at 56% of full year budget. We are pleased with the progress of the property services business and with the spread of income sources. Revenue is split between management fees and fees from leasing and consultancy activities.

We expect the growth in Property Services income to come from third party mandates and we are currently building our team so that we can deliver when opportunities present. The growth in our Property Services team increases costs but we believe this investment will bring future rewards.

We are also pleased with the progress of our WTSO serviced office business, which is now a net profit contributor. The WTSO facility in Neutral Bay is now running close to 100% occupancy and the North Strathfield facility is expected to be in a similar position by the end of the year.

Prior to Christmas we received town-planning approval for a twelve level commercial mixed-use building in South Yarra, Melbourne. A neighbour has appealed the consent and this appeal is to be heard in April. We are optimistic that we will be underway with this project by midyear.

Investment Income – As at 31 December revenue from investment activities stood at 51% of full year budget (note funds received from the IPO have only been invested for 75% of the period).

Pelorus' investment capital provides it with underwriting capability. It is essential that we maintain a high level of liquidity so that we can react quickly when opportunities present. Aside from investments in the Pelorus Storage Fund and the Bakehouse Quarter Fund we have our funds in a range of liquid assets. These have included 10-15% in listed top-20 stocks, on deposit and in at call mortgages over assets controlled by the group.

While we are optimistic that Pelorus will exceed the profit forecast for the 2007 year we remind shareholders that these forecasts depend to some extent on matters that are outside our control and that timing of events may affect the final result. In particular Pelorus' Funds Management fees are somewhat lumpy in nature and, while we expect full year income from Funds Management activities to exceed budget, we do not expect the second half results to be as strong as the first.

Seph Glew
Executive Chairman

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APPENDIX 4D
HALF-YEAR ENDING 31 DECEMBER 2006

PELORUS PROPERTY GROUP

RESULTS FOR ANNOUNCEMENT TO MARKET

SUMMARY

For the six months ending	31-Dec-06	31-Dec-05	Change	Change %
Revenue	$5,896,698.00	-	-	-
Pre Tax Profit attributable to members	$3,616,651.00	-	-	-
Profit attributable to members	$2,647,027.00	-	-	-

EXPLANATION OF RESULTS

The company was listed on the ASX on 20 July 2006 and became a reporting entity on that date. Prior to listing Pelorus was an unlisted public company preparing annual financial statements only. As a consequence, there is no audited financial statements with respect to the corresponding prior period. A detailed explanation of the results for the period ending 31 December 2006 is contained in the ASX & Media Release accompanying this report.

DIVIDENDS PAID

Date Paid	Record Date	Dividend Amount	Status
22-Aug-06	30-Jun-06	3 cents per share	Final Fully Franked

DIVIDENDS DECLARED BUT UNPAID

Payment Date	Record Date	Dividend Amount	Status
16-Apr-07	9-Mar-07	1.75 cents per share	Interim Fully Franked

Pelorus has adopted a Dividend Reinvestment Plan. The last date for lodgment of DRP election forms is 9 April 2007.

NET TANGIBLE ASSETS VALUE PER SHARE

For the six months ending	31-Dec-06	31-Dec-05	Change	Change %
	$0.27	-	-	-

STATEMENT ON AUDIT

The financial statements for the half-year ending 31 December 2006 have been audited with no dispute or qualification. The information in this report is based on the audited financial statements. A copy of the financial statements are attached to this Appendix 4D.

PELORUS
PROPERTY GROUP

INTERIM FINANCIAL REPORT

Half Year Ending 31 December 2006

Pelorus Property Group Limited

ABN: 45 091 209 639

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Financial Statements

Pelorus Property Group Ltd and Controlled Entities
ABN 45 091 209 639

Directors Report

Your directors present their report for the company and controlled entities for the half-year ending 31 December 2006 (Relevant Period).

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	Responsibilities
Seph Glew	Executive Chairman
Stuart Brown	Executive Director – CFO/COO
Guy Wynn	Managing Director
Paul Tresidder	Non-Executive Director
Robin Tedder	Non-Executive Director
Richard Hill	Independent Non-Executive Director (appointed 20 July 2006)

Results and Review of Operations

The pre-tax profit of the consolidated entity for the half-year ending on 31 December 2006 was $3.6 million. A detailed explanation of the half-year results and a market update is included in the ASX & Media Release accompanying this report, however, significant events in the Relevant Period included:

- The company's shares commenced trading on the ASX on 20 July 2006.
- The Pelorus Storage Fund commenced operation on 1 October 2006.
- The company arranged and managed a Bookbuild Tender with respect to the placement of 2,360,840 units in the listed Bakehouse Quarter Fund with the net proceeds of the issue to be applied to the further development of the Bakehouse Quarter.
- The company's first managed investment scheme, the Pelorus PIPES-Penrith Fund was wound up on 31 December 2006. The Penrith Fund generated an IRR of 12.1% for investors. The underlying asset, a retail bulky goods property at 120 Mulgoa Road Penrith, was revalued from its commencing value of $14.7 million to $20.67 million. Pelorus will structure a new fund with respect to this property in the coming months.

Subsequent Events

The company, on the date of this report, has announced that following a review of the Bakehouse Quarter Fund, its has resolved to de-list the fund and make an offer to all unitholders of $3.85 or 7.5 Pelorus shares for each BQF unit held. Please refer to the ASX & Media Release announced to the market today for more details.

Dividends

A declared but unpaid fully franked dividend for the full year ending 30 June 2006 was paid to shareholders on the register as at 30 June 2006 on 31 August 2006. On the date of this report the company has announced an interim fully franked dividend of 1.75 cents per share. The company has adopted a Dividend Reinvestment Plan. The directors have resolved that shares issued in accordance with the DRP will be priced at a 5% discount to the volume

weighted average price per share in the period commencing fifteen trading days prior to the record date and ending five days following the record date. The Record Date for the interim dividend will be 9 March 2007 with the payment to be made on 16 April 2007.

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.

Signed in accordance with a resolution of Directors.

Stuart Brown, Executive Director

Dated at Sydney the 28th day of February 2007.

EINFELD
SYMONDS VINCE
CHARTERED ACCOUNTANTS

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2006 there have been:

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

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

Dated at Sydney the 28th day of February 2007.

Einfeld Symonds Vince

EINFELD SYMONDS VINCE
Chartered Accountants

CHRISTOPHER KIRKWOOD
Partner

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CHARTERED ACCOUNTANTS

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Independent Audit Report

Scope

The financial report is a general purpose financial report and comprises the Income Statement, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows, accompanying notes to the financial statements and the Directors' Declaration for Pelorus Property Group Ltd ("the Company") and Controlled Entities ("the Group") for the half year ended 31 December 2006.

The financial report includes the consolidated financial statements of the consolidated entity comprising of the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for preparing a financial report that gives a true and fair view of the financial position, performance and changes in equity of the company and the consolidated entity, and that complies with Accounting Standards in Australia and in accordance with *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Audit Approach

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

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's and consolidated entity's financial position, performance and changes in equity as represented by the results of their operations and their cash flows.

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

PARTNERS
ROBERT SYMONDS
GEOFFREY VINCE
MARK WATERHOUSE
CARMEN McLOUGHLIN
IAN MACKEY
KURT BAKER
CHRIS KIRKWOOD
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Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Independent Audit Report

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

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we followed the applicable 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 provisions of these services has not impaired our independence.

In accordance with ASIC Class order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration as set out in the financial report has not changed as at the date of providing our audit opinion.

Audit Opinion

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

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2006 and of their performance for the period ended on that date; and

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

(b) other mandatory professional reporting requirements.

Dated at Sydney the 28th day of February 2007.

Einfeld Symonds Vince

EINFELD SYMONDS VINCE
Chartered Accountants

CHRISTOPHER KIRKWOOD
Partner

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Directors' Declaration

The directors of the company declare that:

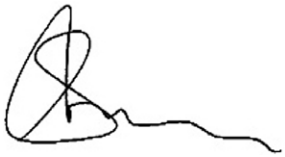
1. The financial statements and notes, as set out on pages 7 to 39, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 31 December 2006 and of the performance for the half year ended on that date of the company and economic entity;

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

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



Director .....
Stuart Brown

Dated at Sydney the 28th day of February 2007.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Income Statement

For the Period Ended 31 December 2006

		Consolidated		Parent	
		December 31	December 31	December 31	December 31
		2006	2005	2006	2005
	Note	$	$	$	$
Funds management fees		2,350,728	-	2,350,728	-
Property management and leasing fees		2,394,227	-	-	-
Other revenue	3(a)	1,151,743	-	1,099,434	-
Total revenue		5,896,698	-	3,450,162	-
Marketing expenses		(7,822)	-	(1,814)	-
Occupancy costs		(91,390)	-	-	-
Administrative expenses		(332,695)	-	(104,964)	-
Finance costs		(3,626)	-	(293)	-
Employee costs		(1,410,255)	-	-	-
Consultancy fees and commissions		(246,671)	-	(32,389)	-
Depreciation expense		(22,795)	-	-	-
Other expenses from ordinary activities		(164,793)	-	(90,592)	-
Profit before income tax		3,616,651	-	3,220,110	-
Income tax expense	4	(969,624)	-	(856,212)	-
Profit attributable to members		2,647,027	-	2,363,898	-

Earnings Per Share:

Overall operations:				
Basic earnings per share (cents per share)	6.00	-	-	-
Diluted earnings per share (cents per share)	6.00	-	-	-

The accompanying notes form part of the financial statements

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Balance Sheet

31 December 2006

		Consolidated		Parent	
		December 31 2006	June 30 2006	December 31 2006	June 30 2006
	Note	$	$	$	$
ASSETS					
Current assets					
Cash and cash equivalents	5	9,755,647	671,738	9,665,065	465,705
Trade and other receivables	7	748,348	120,566	400,045	773,500
Financial assets	8(a)	12,449,613	1,903,764	12,386,601	1,845,245
Prepayments	11	-	1,488,351	-	1,488,351
Total current assets		22,953,608	4,184,419	22,451,711	4,572,801
Non-current assets					
Financial assets	8(b)	3,470,587	21,251	5,067,755	1,640,755
Property, plant and equipment	9	175,853	182,573	-	-
Deferred tax assets	15(a)	68,233	57,790	-	-
Intangible assets	10	1,544,729	1,544,729	-	-
Total non-current assets		5,259,402	1,806,343	5,067,755	1,640,755
TOTAL ASSETS		28,213,010	5,990,762	27,519,466	6,213,556
LIABILITIES					
Current liabilities					
Trade and other payables	12	530,559	1,987,421	542,465	2,635,821
Interest bearing liabilities	13	31,409	-	-	-
Current tax liabilities	15(b)	858,066	577,727	858,066	519,937
Provisions	14	170,487	1,656,708	-	1,500,000
Total current liabilities		1,590,521	4,221,856	1,400,531	4,655,758
Non-current liabilities					
Deferred tax liabilities	15(b)	67,908	-	67,908	-
Provisions	14	56,956	33,757	-	-
Total non-current liabilities		124,864	33,757	67,908	-
TOTAL LIABILITIES		1,715,385	4,255,613	1,468,439	4,655,758
NET ASSETS		26,497,625	1,735,149	26,051,027	1,557,798
EQUITY					
Issued capital	16	23,685,930	1,556,599	23,685,930	1,556,599
Retained earnings		2,811,695	178,550	2,365,097	1,199
TOTAL EQUITY		26,497,625	1,735,149	26,051,027	1,557,798

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

For the Period Ended 31 December 2006

December 31 2006		Ordinary Shares	Parent Retained Earnings	Total
		$	$	$
Balance at 1 July 2006		1,556,599	1,199	1,557,798
Profit attributable to members		-	2,363,898	2,363,898
Listing costs		(1,861,002)	-	(1,861,002)
Issue of shares		24,000,000	-	24,000,000
Adjustment of investment in subsidiaries		(9,667)	-	(9,667)
Balance at 31 December 2006		23,685,930	2,365,097	26,051,027

June 30 2006		Ordinary Shares	Parent Retained Earnings	Total
		$	$	$
Balance at 1 July 2005		75,000	153,652	228,652
Profit attributable to members		-	1,499,797	1,499,797
Issue of shares		125,000	-	125,000
Restatement of prior year error in acquisition of subsidiaries		1,346,932	-	1,346,932
Dividends paid or provided for	17	-	(1,652,250)	(1,652,250)
Balance at 30 June 2006		1,546,932	1,199	1,548,131

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

For the Period Ended 31 December 2006

December 31 2006	Consolidated		
	Ordinary Shares	Retained Earnings	Total
	$	$	$
Balance at 1 July 2006	1,556,599	178,550	1,735,149
Profit attributable to members	-	2,647,027	2,647,027
Listing costs	(1,861,002)	-	(1,861,002)
Issue of shares	24,000,000	-	24,000,000
Elimination of pre-acquisition retained profits on consolidation	-	(13,882)	(13,882)
Adjustment of investment in subsidiaries	(9,667)	-	(9,667)
Balance at 31 December 2006	23,685,930	2,811,695	26,497,625

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

The accompanying notes form part of the financial statements

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Statement of Cash Flows

For the Period Ended 31 December 2006

		Consolidated		Parent	
		December 31 2006	June 30 2006	December 31 2006	June 30 2006
	Note	$	$	$	$
Cash from operating activities:					
Receipts from customers		4,207,718	6,482,839	2,705,175	2,182,950
Payments to suppliers and employees		(2,327,526)	(4,125,269)	(659,080)	(826,098)
Interest received		803,339	78,503	751,030	78,503
Interest paid		(3,626)	(7,174)	(293)	(379)
Income taxes paid		(603,546)	(76,854)	(591,765)	(50,696)
Net cash provided by (used in) operating activities	6(a)	2,076,359	2,352,045	2,205,067	1,384,280
Cash flows from investing activities:					
Proceeds from sale of investment		1,457,300	23,080	1,457,300	23,080
Acquisition of subsidiary, net of cash acquired		-	46,766	-	46,766
Acquisition of property, plant and equipment		(16,075)	58,266	-	-
Acquisition of other investments		(9,047,046)	(44,949)	(9,044,970)	(44,949)
Loans to related parties - payments made		(7,842,035)	(1,785,000)	(7,842,035)	(1,785,000)
Loans to related parties - proceeds from repayments		1,785,000	-	1,785,000	-
Net cash provided by (used in) investing activities		(13,662,856)	(1,701,837)	(13,644,705)	(1,760,103)
Cash flows from financing activities:					
Proceeds from the issue of share capital		22,138,998	-	22,138,998	-
Proceeds from other current borrowings		31,409	-	-	-
Proceeds - loans from subsidiaries		-	-	-	820,000
Dividends paid by parent entity		(1,500,000)	(152,250)	(1,500,000)	(152,250)
Net cash provided by (used in) financing activities		20,670,407	(152,250)	20,638,998	667,750
Net increase (decreases) in cash held		9,083,910	497,958	9,199,360	291,927
Cash at beginning of financial year		671,738	173,780	465,705	173,778
Cash at end of financial year	5(b)	9,755,648	671,738	9,665,065	465,705

The accompanying notes form part of the financial statements

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 half year ended 31 December 2006 was authorised for issue in accordance with the resolution of the directors on 28 February 2007.

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

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

Basis of Preparation

Reporting Basis and Conventions

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

Comparative Figures

Comparative Figures

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

Principals of Consolidation

Controlled entities

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

1 Statement of Significant Accounting Policies continued

Principals of Consolidation continued

Inter-company balances

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

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

Principals of Consolidation

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

Property, Plant and Equipment

General Information

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

Plant and equipment

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

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

Depreciation rates

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

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

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

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.

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

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

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 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.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

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

1 Statement of Significant Accounting Policies continued

Financial Instruments continued

Fair value

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

Impairment

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

Intangibles

Goodwill

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

As at 31 December 2006, there is no indication that impairment exists.

Cash and Cash Equivalents

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

Trade and other receivables

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

Trade and other payables

Liabilities for trade creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the company at balance date.

1 Statement of Significant Accounting Policies continued

Employee Benefits

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

Provisions

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

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

Revenue

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

Revenue from property management is recognised monthly in arrears.

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

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

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

Income Tax

Current Income Tax expense

The charge for current income tax expense is based on the profit for the period 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.

1 Statement of Significant Accounting Policies continued

Income Tax continued

Deferred tax calculation

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

Deferred income tax assets

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

Benefit brought to account

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

Tax consolidations

Pelorus Property Group Ltd has elected to form a tax consolidated group with its wholly owned entities for income tax purposes under the tax consolidation regime with effect from 1 July 2005. The Group intends to enter into a tax sharing agreement whereby each entity in the group will contribute to the income tax payable in proportion to their contribution to the taxable profit of the tax consolidated group.

Goods and Services Tax (GST)

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

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

2 Segment Reporting

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

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

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

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

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

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Notes to the Financial Statements

For the Period Ended 31 December 2006

2 Segment Reporting continued

	Funds Management		Property Services		Consolidated	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
REVENUE						
Revenue from external customers:						
Sales	2,350,728	1,984,500	2,394,227	3,908,990	4,744,955	5,893,490
Other revenue	1,099,434	78,503	52,309	22,673	1,151,743	101,176
Total revenue	3,450,162	2,063,003	2,446,536	3,931,663	5,896,698	5,994,666
RESULT						
Segment results	3,220,110	1,374,770	396,541	894,424	3,616,651	2,269,194
Unallocated expenses:					-	-
Income tax expense	-	-	-	-	(969,624)	(592,046)
Net profit for the year	-	-	-	-	2,647,027	1,677,148
ASSETS						
Segment assets	27,519,466	4,626,998	693,544	1,363,764	28,213,010	5,990,762
Total assets	27,519,466	4,626,998	693,544	1,363,764	28,213,010	5,990,762
LIABILITIES						
Segment liabilities	1,468,439	3,094,296	246,946	1,161,317	1,715,385	4,255,613
Total liabilities	1,468,439	3,094,296	246,946	1,161,317	1,715,385	4,255,613

	Funds Management		Property Services		Consolidated	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
OTHER						
Capital expenditure	-	-	-	58,266	-	58,266
Depreciation	-	7,485	22,795	128,364	22,795	135,849

3 Revenue

(a) Other revenue

	Consolidated		Parent	
	December 31 2006 $	December 31 2005 $	December 31 2006 $	December 31 2005 $
Finance income from financial institutions	573,125	-	520,816	-
Finance income from related parties	230,214	-	230,214	-
Gain on sale of investments	122,043	-	122,043	-
Fair value adjustments on financial instruments held for trading	226,361	-	226,361	-
Total other revenue	1,151,743	-	1,099,434	-

4 Income Tax Expense

The components of tax expense comprise:

	Consolidated		Parent	
	December 31 2006 $	December 31 2005 $	December 31 2006 $	December 31 2005 $
Current tax	969,624	-	856,212	-
Total income tax expense	969,624	-	856,212	-

5 Cash and Cash Equivalents

	Consolidated		Parent	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
Cash on hand	500	-	-	-
Cash at bank	9,755,147	671,738	9,665,065	465,705
Total cash and cash equivalents	9,755,647	671,738	9,665,065	465,705

(a) Effective Interest Rate

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

(b) Reconciliation of Cash

	Consolidated		Parent	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and cash equivalents	9,755,647	671,738	9,665,065	465,705
	9,755,647	671,738	9,665,065	465,705

6 Cash Flow Information

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

Net income/loss for the period	2,647,027	1,677,148	2,363,898	1,499,797
Non-cash flows in profit				
Depreciation	22,795	135,849	-	7,485
Net (gain)/loss on disposal of investments	(122,043)	(5,782)	(122,043)	-
Unrealised (gains)/losses on investments	(226,361)	-	(226,361)	-
Correction to prior year balances	(23,549)	-	(9,667)	-
changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	(482,452)	(49,690)	(119,961)	(10,478)
(Increase)/decrease in other receivables	(145,330)	(28,915)	383,863	(731,357)
(Increase)/decrease in other assets	-	(192,737)	-	(22,319)
(Increase)/decrease in prepayments	1,488,351	(1,488,351)	1,488,351	(1,488,351)
Increase/(decrease) in trade payables and accruals	(1,456,862)	1,515,177	(2,093,356)	1,619,995
Increase/(decrease) in other payables	-	274,536	134,306	(5,302)
Increase/(decrease) in income taxes payable	280,339	572,600	338,129	572,600
Increase/(decrease) in deferred taxes balances	57,465	(57,790)	67,908	(57,790)
Increase/(decrease) in provisions	36,978	-	-	-
	2,076,358	2,352,045	2,205,067	1,384,280

7 Trade and Other Receivables

	Consolidated		Parent	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
CURRENT				
Trade receivables	542,620	60,168	142,347	22,386
Loans to employees	150,000	-	150,000	-
Sundry receivables	55,728	60,398	-	59,110
Intercompany tax receivable	-	-	107,698	242,004
Amounts receivable from:				
- wholly-owned subsidiaries	-	-	-	450,000
Total trade and other receivables	748,348	120,566	400,045	773,500

8 Financial Assets

(a) Current financial assets

		Consolidated		Parent	
	Note	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
Held for trading investments		4,607,578	118,764	4,569,319	60,245
Loans and receivables		7,842,035	1,785,000	7,817,282	1,785,000
Total financial assets		12,449,613	1,903,764	12,386,601	1,845,245

(b) Non-current financial assets

Available-for-sale financial assets	3,470,586	21,251	3,447,000	20,000
Investments in controlled entities	-	-	1,620,754	1,620,754
Total non-current financial assets	3,470,586	21,251	5,067,754	1,640,754

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

Listed securities	4,607,578	118,764	4,569,319	60,245
Total held-for-trading financial assets	4,607,578	118,764	4,569,319	60,245

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

8 Financial Assets continued

(d) Loans and receivables

	Consolidated		Parent	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
Loans and receivables from related parties	7,842,035	1,785,000	7,817,282	1,785,000
Total loans and receivables	7,842,035	1,785,000	7,817,282	1,785,000

Loans and receivables are recorded at amortised costs.

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

	Consolidated		Parent	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
Unlisted investments, at cost units in unit trusts	3,470,586	21,251	3,447,000	20,000
Total available-for-sale financial assets	3,470,586	21,251	3,447,000	20,000

Available-for-sale financial assets comprise of investments in the units of unlisted unit trusts. The unlisted available-for-sale financial assets are recorded at cost.

(f) Investments in controlled entities:

Investments in controlled entities	-	-	1,620,754	1,620,754
Total investment in controlled entities	-	-	1,620,754	1,620,754

Investment in controlled entities are recorded at cost.

9 Property Plant and Equipment

	Consolidated		Parent	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
PLANT AND EQUIPMENT				
Furniture, fixtures and fittings				
At cost	84,127	81,517	-	-
Less accumulated depreciation	(30,408)	(25,198)	-	-
Total furniture, fixtures and fittings	53,719	56,319	-	-
Office equipment				
At cost	215,703	202,618	-	-
Less accumulated depreciation	(93,569)	(76,364)	-	-
Total office equipment	122,134	126,254	-	-
Total property, plant and equipment	175,853	182,573	-	-

(a) Movements in Carrying Amounts

Consolidated

	Furniture, Fixtures and Fittings $	Office Equipment $	Total $
Current Period			
Balance at the beginning of year	56,319	126,254	182,573
Additions	2,610	13,466	16,076
Depreciation expense	(5,210)	(17,586)	(22,796)
Balance at 30 June 2006	53,719	122,134	175,853
Prior Period			
Balance at the beginning of year	62,301	129,053	191,354
Additions	5,990	52,276	58,266
Disposals	-	(12,412)	(12,412)
Depreciation expense	(11,972)	(42,663)	(54,635)
Carrying amount at the end of year	56,319	126,254	182,573

10 Intangible Assets

	Consolidated		Parent	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
Goodwill				
Cost	1,544,729	1,544,729	-	-
Net carrying value	1,544,729	1,544,729	-	-
Total Intangibles	1,544,729	1,544,729	-	-

(a) Reconciliation

	Consolidated	
	Goodwill $	Total $
Period ended 30 June 2006		
Opening balance	-	-
Additions through business combinations	188,132	188,132
Restatement of prior year error	1,356,597	1,356,597
Balance at 30 June 2006	1,544,729	1,544,729
Balance at 31 December 2006	1,544,729	1,544,729

Correction of error in recording issued capital and goodwill on acquisition of subsidiaries

Information provided post reporting date for the year ended 30 June 2006 revealed an error in the calculation of goodwill on consolidation following acquisition of Wynn Tresidder Management Pty Ltd and DDT Projects Pty Ltd. The directors determined to recalculate the amount of goodwill recorded on acquistion. This error had the effect of understating consolidated and parent goodwill, total non-current assets, total assets, issued capital and total equity by $1,356,599.

Despite the revision of goodwill there were no indicators of impairment from subsequent testing.

The error has been corrected by restating each of the affected financial statement line items for the prior period, as described above.

There has been no impact on ordinary and diluted earnings per share.

10 Intangible Assets continued

Reconciliation continued

Impairment testing

Goodwill acquired through the acquisition of Wynn Tresidder Management Pty Ltd and DDT Projects Pty Ltd has been allocated to one cash generating unit being the property management and leasing reporting segment. The recoverable amount of goodwill has been determined on a value in use calculation using cash flow projections based on financial budgets prepared by Pelorus Property Group Ltd management covering a 5 year period.

The discounted rate applied to the cash flow projection is 15%.

On this basis, the goodwill is fully recoverable within a 5 year period.

11 Prepayments

	Consolidated		Parent	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
CURRENT				
Prepayments	-	1,488,351	-	1,488,351
Total prepayments	-	1,488,351	-	1,488,351

12 Trade and Other Payables

	Consolidated		Parent	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
CURRENT				
Unsecured liabilities				
Trade payables	523,065	1,707,401	310,789	1,533,860
Deposits	6,849	-	-	-
Loan from subsidiaries	-	-	230,206	820,000
Other payables	645	280,020	1,470	281,961
Total trade and other payables	530,559	1,987,421	542,465	2,635,821

13 Interest bearing liabilities

	Consolidated		Parent	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
CURRENT				
Unsecured liabilities				
Other financial liabilities	31,409	-	-	-
Total interest bearing liabilities	31,409	-	-	-

14 Provisions

	Dividends $	Employee entitlements $	Total $
Opening balance at 1 July 2006	1,500,000	190,465	1,690,465
Additional provisions	-	105,081	105,081
Amounts used	-	(68,103)	(68,103)
Amount paid during period	(1,500,000)	-	(1,500,000)
Balance at 31 December 2006	-	227,443	227,443

(a) Analysis of Total Provisions

	Consolidated		Parent	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
Current	170,487	1,656,708	-	1,500,000
Non-current	56,956	33,757	-	-
Total provisions	227,443	1,690,465	-	1,500,000

15 Tax

(a) Assets

	Consolidated		Parent	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
NON-CURRENT				
Deferred tax assets comprise:				
Employee entitlements	68,233	57,790	-	-
Total non current tax assets	68,233	57,790	-	-

(b) Liabilities

	Consolidated		Parent	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
CURRENT				
Income tax	858,066	577,727	858,066	519,937
Total current tax liabilities	858,066	577,727	858,066	519,937
NON-CURRENT				
Deferred tax liability comprises:				
Fair value gain adjustment	67,908	-	67,908	-
Total non-current tax liabilities	67,908	-	67,908	-

16 Issued Capital

(a) Summary Table

	Consolidated		Parent	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
48,200,000 (2006: 200,000)				
Ordinary	23,685,930	1,556,599	23,685,930	1,556,599
Total issued capital	23,685,930	1,556,599	23,685,930	1,556,599

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

17 Dividends

(a) Dividends and distributions paid table

Distributions paid

	Consolidated		Parent	
	December 31 2006	December 31 2005	December 31 2006	December 31 2005
	$	$	$	$
Interim fully franked ordinary dividend of 203 cents per share	-	152,250	-	152,250
Payment of final fully franked ordinary dividend of 3 cents per share	1,500,000	-	1,500,000	-
Total distributions	1,500,000	152,250	1,500,000	152,250

18 Auditors' Remuneration

Auditor's Remuneration

	Consolidated		Parent	
	December 31 2006	December 31 2005	December 31 2006	December 31 2005
	$	$	$	$
Remuneration of the auditor of the parent entity for:				
- Auditing or reviewing the financial report	18,000	-	18,000	-
- Auditing or reviewing the financial reports of controlled managed investment schemes	10,000	-	10,000	-
- Taxation services	13,000	-	13,000	-
- Other services	1,500	-	1,500	-

19 Capital and Leasing Commitments

Operating Lease Commitments

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

	Consolidated		Parent	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
Payable - minimum lease payments - not later than 12 months	-	118,808	-	118,808
Total operating lease commitments	-	118,808	-	118,808

Capital Commitments

There are no capital commitments as at 31 December 2006 (30 June 2006: Nil).

20 Events After the Balance Sheet Date

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

21 Controlled Entities

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

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

Pelorus Property Group Ltd and Controlled Entities

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Notes to the Financial Statements

For the Period Ended 31 December 2006

22 Related party transactions

(a) Detailed table

	Consolidated		Parent	
	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
Management fees received				
Kirela Pty Ltd	1,410,789	-	1,410,789	-
JPS Properties Pty Ltd	9,000	-	-	-
Mosman Branch Pty Ltd	10,800	-	-	-
Alerik Pty Ltd	124,165	-	124,165	-
Claremont Street Pty Ltd	2,700	-	-	-
Planloc Pty Ltd	86,483	-	86,483	-
Total	1,643,937	-	1,621,437	-
Rent paid				
JPS Properties Pty Ltd	91,390	-	-	-
Total	91,390	-	-	-
Consultancy fees paid				
Frogstorm Pty Ltd	85,710	-	-	-
Castle Bay Pty Ltd	128,571	-	-	-
Total	214,281	-	-	-
Interest received				
Claremont Street Pty Ltd	60,635	-	60,635	-
Kirela Pty Ltd	64,341	-	64,341	-
Pelorus Storage Fund	51,627	-	51,627	-
JPS Properties Pty Ltd	53,611	-	53,611	-
Total	230,214	-	230,214	-
Loans to related parties:				
JPS Properties Pty Ltd	1,450,000	-	1,450,000	-
Claremont Street Pty Ltd	1,640,000	-	1,640,000	-
Old Bear Pty Ltd	110,524	-	110,000	-
Kirela Pty Ltd	3,500,000	-	3,500,000	-
Pelorus PIPES - Penrith Fund	1,000,000	-	1,000,000	-
Frogstorm Pty Ltd	104,229	-	80,000	-
Pelorus Storage Fund	37,282	-	37,282	-
Total	7,842,035	-	7,817,282	-

22 Related party transactions continued

(b) Identification of Related Parties

Valview Pty Ltd:	Seph Glew, Paul Tresidder, Robin Tedder, Stuart Brown
Planloc Pty Ltd:	Seph Glew, Paul Tresidder
Kirela Pty Ltd:	Seph Glew, Paul Tresidder, Robin Tedder, Stuart Brown, Guy Wynn, Richard Hill
IPUT Nominees Pty Ltd:	Seph Glew, Paul Tresidder
JPS Properties Pty Ltd:	Seph Glew, Paul Tresidder
Mosman Branch Pty Ltd:	Seph Glew, Paul Tresidder
Alerik Pty Ltd:	Seph Glew, Paul Tresidder, Robin Tedder, Stuart Brown, Guy Wynn, Richard Hill
Claremont Street Pty Ltd:	Seph Glew, Paul Tresidder
Frogstorm Pty Ltd:	Stuart Brown
Koonta Pty Ltd:	Robin Tedder
Old Bear Pty Ltd:	David Tresidder
Castle Bay Pty Ltd:	Guy Wynn
Pelorus PIPES - Penrith Fund:	Controlled Managed Investment Scheme
Pelorus Storage Fund:	Controlled Managed Investment Scheme

(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 31 December 2006 was:

Shares: 46,710,000 (2006: 44,000,000) Ordinary shares

(d) Property management and leasing fees received

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

(e) Funds management fees

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

(f) Rental expenses

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

22 Related party transactions continued

(g) Consultancy fees

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

(h) Loans to related parties

JPS Properties Pty Ltd

$1,450,000 was loaned to JPS Properties Pty Ltd. The loan is secured by an equitable mortgage over real property and interest is charged at the rate of the Bank Bill Swap Rate plus a margin of 1.25% per annum. The loan is repayable on demand.

Claremont Street Pty Ltd

$1,640,000 was loaned to Claremont Street Pty Ltd. The loan is secured by an equitable mortgage over real property and interest is charged at the rate of the Bank Bill Swap Rate plus a margin of 1.25% per annum. The loan is repayable on demand.

Kirela Pty Ltd

$3,500,000 was loaned to Kirela Pty Ltd. The loan is secured by an equitable mortgage over real property and interest is charged at the rate of the Bank Bill Swap Rate plus a margin of 1.10% per annum. The loan is repayable on demand. The loan was subsequently repaid in full on 29 Jan 2007.

Pelorus PIPES - Penrith Fund

$1,000,000 was advanced to Penrith Fund to faciliate the termination of the fund. The loan is secured by a resigtered second mortgage and interest is charged at the rate of 7.5% per annum. The amount terminates on the settlement of the new fund in relation to the property.

Pelorus PIPES - Storage Fund

$37,282 was advanced to Storage Fund to faciliate the establishment of the fund. The loan is repayable on demand.

Old Bear Pty Ltd and Frogstorm Pty Ltd

Loans were made to Old Bear Pty Ltd and Frogstorm Pty Ltd, entities associated with David Tresidder and Stuart Brown. The loans are secured by shares in Pelorus Property Group Ltd and interest is currently charged at 7.42% per annum.

23 Founding shareholder options

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

	Options
	$
Seph Glew	2,660,000
Guy Wynn	1,400,000
Stuart Brown	600,000
Paul Tresidder	2,660,000
Robin Tedder	1,440,000
Total	8,760,000

24 Key Management Personnel Compensation

(a) Key Management Personnel

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

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

(b) Key Management Personnel Compensation

31 December 2006	Consulting fees	Total
	$	$
Guy Wynn	128,571	128,571
Stuart Brown	85,710	85,710
	214,281	214,281

No remuneration has been paid to Seph Glew, Paul Tresidder, Richard Hill and Robin Tedder during the current period.

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

24 Key Management Personnel Compensation continued

(b) Key Management Personnel Compensation continued

	134,286	134,286

(c) Relevant interests

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

	Balance 1/07/2006	Options Exercised	Net Change Other*	Balance 31/12/2006
Key Management Personnel				
Seph Glew	14,638,000	-	-	14,638,000
Guy Wynn	7,704,000	-	4,000	7,708,000
Stuart Brown	5,720,000	-	-	5,720,000
Paul Tresidder	14,630,000	-	-	14,630,000
Robin Tedder	7,920,000	-	10,000	7,930,000
Total shareholding	50,612,000	-	14,000	50,626,000

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

25 Financial Instruments

a Financial Risk Management - Financial Risks

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

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

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

b Interest rate risk

The Group has exposure to market risk for changes in interest rates which primarily relates to income received on operating cash balances and related party loans.

c Price Risk

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

25 Financial Instruments continued

d Credit Risk

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

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

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

Pelorus Property Group Ltd and Controlled Entities

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Notes to the Financial Statements

For the Period Ended 31 December 2006

25 Financial Instruments continued

(e) Fair values

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

	Consolidated				Parent			
	December 31 2006		June 30 2006		December 31 2006		June 30 2006	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$	$	$	$	$
Financial assets								
Cash	9,755,647	9,755,647	671,738	671,738	9,665,065	9,665,065	465,705	465,705
Trade receivables	542,620	542,620	60,168	60,168	142,347	142,347	22,386	22,386
Loans receivables	7,992,035	7,992,035	1,785,000	1,785,000	7,967,282	7,967,282	1,785,000	1,758,000
Held for trading financial assets	8,078,165	8,078,165	140,015	140,015	9,188,696	9,188,696	1,770,429	1,770,429
Financial liabilities								
Trade payables	523,065	523,065	1,707,401	1,707,041	310,789	310,789	1,533,860	1,533,860
Other financial liabilities	31,409	31,409	-	-	-	-	820,000	820,000
Total	26,922,941	26,922,941	4,364,322	4,363,962	27,274,179	27,274,179	6,397,380	6,370,380

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Period Ended 31 December 2006

25 Financial Instruments continued

f Interest Rate Risk

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

	Weighted Average Effective Interest Rate		Floating Interest Rate		Maturing within 1 Year		Non-interest Bearing		Total	
	December 31 2006 %	June 30 2006 %	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $	December 31 2006 $	June 30 2006 $
Financial Assets:										
Cash and cash equivalents	3.25	3.00	9,755,647	671,736	-	-	-	-	9,755,647	671,736
Trade receivables	-	-	-	-	-	-	542,620	60,168	542,620	60,168
Loan receivables	7.46	7.00	-	-	7,992,035	1,785,000	-	-	7,992,035	1,785,000
Total Financial Assets			9,755,647	671,736	7,992,035	1,785,000	542,620	60,168	18,290,302	2,516,904
Financial Liabilities:										
Other financial liabilities	16.00	-	31,409	-	-	-	-	-	31,409	-
Trade and sundry payables	-	-	-	-	-	-	523,065	1,987,421	523,065	1,987,421
Total Financial Liabilities			31,409	-	-	-	523,065	1,987,421	554,474	1,987,421

26 Company Details

Principal place of business

The principal place of business of the company is:

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