PELORUS PROPERTY GROUP

27 February 2008

ASX/Press Release

EXPLANATION OF RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2007

Key Results And Events

The Directors of Pelorus Property Group Ltd (ASX code PPI) announce a net profit after tax (NPAT) for the half-year to December 2007 of $3.21 million ($4.57 million pre tax). The result gives rise to the following key points:

	HY Dec 2007	HY Dec 2006	% Change
NPAT	$3,213,853	$2,647,028	21%
NTA Per Share	$0.34	$0.27	24%
Shares On Issue	109,683,053	92,000,000	19%
Earnings Per Share	$0.03	$0.03	0%

For the half year ended 31 December 2007 Pelorus's earnings contribution from its three income sectors were as follows:

	Revenue	EBIT
Funds Management	$2,966,806	$2,330,483
Property Services	$2,089,422	$1,134,939
Investment	$2,060,838	$1,106,356

Funds Management revenue includes fees of $2 million for the structuring, arrangement and underwriting of the WRV Unit Trust. WRV was capitalised by sophisticated investors (holding shares in Pelorus - including directors) in order to acquire the property located at 850 Woodville Road, Villawood.

Gross Investment income includes $1.134 million derived from the revaluation of "financial assets for trading". The units Pelorus holds in the Bakehouse Quarter Fund (BQF) is the most significant of these and is carried at a value derived from an independent valuation completed for 31 December 2007 (for more details see the Bakehouse Quarter announcement accompanying these results). Pelorus is now carrying its 25% interest in BQF at a value of $23.57m.

The half-year has seen a number of significant transactions and events including:

1. Continued development of the Bakehouse Quarter (see the more detailed announcement released with these results).

2. Completion of the purchase of 850 Woodville Road Villawood. Agreements with respect to over 70% of the net lettable area have been secured. These include a Wiggles Playland (1,000 sqm), an AMF Bowling Centre (3,800 sqm) and a Goodlife Gym (2000 sqm).

3. Completion of the purchase of Trentham City, a distressed shopping centre located in Wellington New Zealand (see the announcement released with these results for more details).

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

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4. Establishment of WT Retail India, a retail management and consultancy operation in Bangalore. WT Retail India is a joint venture with Assetz Property Services Pvt Ltd, an Indian based construction and development management business. Although this operation is only a few months old it has secured a 5 year agreement to manage a significant retail centre in the Bangalore CBD. WT Retail India's working capital is being funded by the joint venture partners. It is hoped that by the second quarter of the 2009 financial year this operation will be cash flow positive.

5. Pelorus has announced that it intends to launch a wholesale Opportunistic Fund. The fund's seed investment is to be the purchase of the BQF units held by Pelorus. We recognise that capital raising in the current environment is difficult but work on this fund continues as its focus is on opportunistic and distressed real estate transactions.

Earnings Outlook

Pelorus directors and executives believe that we are entering a difficult trading environment. This has not come as a surprise. We have experience in dealing with troubled and distressed real estate and the group has now turned its focus to the many opportunities that are starting to present themselves.

This shift in focus is expected to create opportunities for more significant long-term performance gains through equity participation and growth in annuity income streams but is likely to reduce short term transact fee income.

The Woodville Rd and Trentham City acquisitions and our announced move to replace Centro MCS as Responsible Entity for a number of real estate syndicates are consistent with our strategy.

Group Debt

The Pelorus balance sheet has no debt. As set out in our release headed Directors Disclosure, Pelorus has an interest in a number of its projects. The senior and mezzanine debt structures in all of these projects has no recourse to the Pelorus balance sheet.

Senior debt in projects controlled by Pelorus totals approximately $A150 million and is with Australian trading banks and major institutions. These facilities have a weighted average loan to value ratio of 49% and a weighted average term to maturity of 3.7 years. Over $A94 million or 62.5% of the debt is hedged with Australian trading banks. These hedging transactions are by way of interest rate swaps and collars with terms to maturity ranging from 1.5 and 4.5 years.

No directors have pledged, loaned or leveraged the Pelorus shares held by their associated entities in margin lending or similar arrangements.

Dividend

Pelorus directors believe that the property market is entering a volatile period where liquidity and free capital will be critical in determining future success.

In order to pass on the benefits of the Australian franking credit regime whilst maximising working capital the directors have resolved to declare a full franked interim dividend of 2 cents per share **paid by way of a pro rata issue of new Pelorus shares.** The record date and allotment date will be

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announced as soon as they have been determined by the company. As a consequence the directors have resolved to suspend the Dividend Reinvestment Plan with respect to this dividend. Further details of the allotment will be provided over the coming weeks.

Attached is an Appendix 4D and a copy of the Financial Statements of Pelorus and its controlled entitles. Please contact us with any questions.

Seph Glew
Executive Chairman
Ph +61 2 9033 8621
Mob 0410 615 225

Stuart Brown
Managing Director
Ph +61 2 9033 8608
Mob 0413 921 570

APPENDIX 4D
HALF-YEAR ENDED 31 DECEMBER 2007
Previous Corresponding Period - Half Year Ended 31 December 2006

PELORUS PROPERTY GROUP

RESULTS FOR ANNOUNCEMENT TO MARKET

SUMMARY

For the six months ending	31-Dec-07	31-Dec-06	Change	Change %
Revenue	$7,117,066	$5,896,698	$1,220,368	21%
Pre Tax Profit attributable to members	$4,571,777	$3,616,651	$955,126	26%
Profit attributable to members	$3,213,853	$2,647,028	$566,825	21%

EXPLANATION OF RESULTS

A detailed explanation of the results for the period ended 31 December 2007 is contained in the ASX & Press Release accompanying this report.

DIVIDENDS PAID

Date Paid	Record Date	Dividend Amount	Status
28-Sep-07	4-Sep-07	2 cents per share	Final Fully Franked

DIVIDENDS DECLARED BUT UNPAID

See the Explanation of Results for the Half Year Ended 31 December 2007 attached.

NET TANGIBLE ASSETS VALUE PER SHARE

For the six months ending	31-Dec-07	31-Dec-06	Change	Change %
	$0.34	$0.27	$0.07	26%

CONTROLLED AND ASSOCIATED ENTITIES

Entity	Percentage Owned	Date Interest Acquired
WRV Pty Ltd	100%	16-Jul-07
Pelorus Management (NZ) Ltd	100%	2-Nov-07
WT Retail Services (India) Private Ltd	50%	5-Dec-07

The results and net assets of the wholly owned controlled and associated entities have not been consolidated in the results. Their results and net assets are immaterial to the group.

STATEMENT ON AUDIT

The financial statements for the half-year ended 31 December 2007 have been prepared with no dispute or qualification. The Auditors prepared the financial statements based on a review. The review was conducted in accordance with the Auditing Standard Review Engagements ASRE 2410 *Review of an Interim Financial Report performed by the Independent Auditor of the Entity*.

PELORUS PROPERTY GROUP

INTERIM FINANCIAL REPORT

Half Year Ended 31 December 2007

Pelorus Property Group Limited

ABN: 45 091 209 639

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

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

Directors Report

Your directors present their report for the company and controlled entities for the half-year ended 31 December 2007 (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	Managing Director
Guy Wynn	Executive Director
Paul Tresidder	Non-Executive Director
Robin Tedder	Non-Executive Director
Richard Hill	Independent Non-Executive Director

Simon Hayes was appointed Company Secretary on 1 August 2007.

Principal Activities

The company and its controlled entities generate investment income primarily from retail and commercial property and fee income from property services and property funds management. Pelorus aims to grow net tangible assets per share and recurring fee income streams by allocating its capital to:

- Underwrite new transactions
- Take advantage of value opportunities
- Generate investment income
- Seed new ventures.

Results and Review of Operations

For an explanation of the results and review of operations see the Explanation of Results for the Half Year Ended 31 December 2007 attached.

Dividends

The directors have resolved to declare a fully franked interim dividend of 2 cents per share. For an explanation of the dividend see the Explanation of Results for the Half Year Ended 31 December 2007 attached.

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 interim financial report.

Signed in accordance with a resolution of the Directors.

Stuart Brown
Managing Director
26 February 2008

EINFELD SYMONDS VINCE
• CHARTERED ACCOUNTANTS •

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Independent Auditors' Review Report

Scope

We have reviewed the attached half-year general purpose financial report of Pelorus Property Group Limited ("the Company") and Controlled Entities ("Consolidated entity") which comprises the balance sheet as at 31 December 2007 and the income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the half-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 half-year 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2007 and its performance for the half-year ended on that date. As the auditor of Pelorus Property Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of Australian professional and ethical pronouncements and the *Corporations Act 2001*. In addition to our review 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 independence declaration as set out in the financial report has not changed as at the date of providing our review opinion.

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 Auditors' Review Report

Review Opinion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Pelorus Property Group Limited is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the financial position of the Company as at 31 December 2007 and of its performance for the half-year ended on that date.

Dated at Sydney the 26th day of February 2008.

Einfeld Symonds Vince

Einfeld Symonds Vince
Chartered Accountants

Christopher Kirkwood
Partner

EINFELD SYMONDS VINCE
• 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 half-year ended 31 December 2007 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 26th day of February 2008.

Einfeld Symonds Vince

Einfeld Symonds Vince
Chartered Accountants

Chris Kirkwood
Partner

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 45, 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 2007 and of the performance for the year ended on that date of the company and consolidated 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 26th day of February 2008.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Income Statement

For the Half-Year Ended 31 December 2007

		Consolidated		Parent	
		December 31 2007	December 31 2006	December 31 2007	December 31 2006
	Note	$	$	$	$
Fund Management Fees		2,966,806	2,350,728	2,966,806	2,350,728
Property Management & Leasing Fees		2,089,422	2,394,227	-	-
Investment income	3(a)	2,060,838	1,151,743	2,032,513	1,099,434
Total revenue		7,117,066	5,896,698	4,999,319	3,450,162
Employee costs	4(a)	(1,480,407)	(1,624,536)	(205,284)	-
Marketing costs		(27,892)	(7,822)	(4,324)	(1,814)
Occupancy costs	4(b)	(84,392)	(91,390)	-	-
Administrative costs		(465,696)	(118,414)	(196,750)	(104,964)
Finance costs		(5,734)	(3,626)	(1,313)	(293)
Depreciation expense		(37,690)	(22,795)	-	-
Architectural fees		(151,051)	(50,000)	-	-
Other expenses		(292,427)	(361,464)	(54,396)	(122,981)
Profit before income tax		4,571,777	3,616,651	4,537,252	3,220,110
Taxation	5(b)	(1,358,207)	(969,623)	(1,345,539)	(856,212)
Profit for the period		3,213,570	2,647,028	3,191,713	2,363,898
Minority interest		283	-	-	-
Profit attributable to members of the parent		3,213,853	2,647,028	3,191,713	2,363,898

Earnings Per Share:

Continuing operations:					
Basic earnings per share		$ 0.03	$ 0.03	$ -	$ -
Diluted earnings per share		$ 0.03	$ 0.03	$ -	$ -

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Balance Sheet

As At 31 December 2007

		Consolidated		Parent	
		December 31 2007	June 30 2007	December 31 2007	June 30 2007
	Note	$	$	$	$
ASSETS					
Current assets					
Cash and cash equivalents	6	2,910,818	1,875,587	2,592,110	1,773,450
Trade and other receivables	8	2,251,494	1,586,695	1,729,085	933,358
Other financial assets	9(a)	29,979,199	25,823,643	30,094,505	25,794,220
Other assets	14	36,331	8,145	-	-
Total current assets		35,177,842	29,294,070	34,415,700	28,501,028
Non-current assets					
Investments accounted for using the equity method	10	82,551	-	82,551	-
Other financial assets	9(b)	4,437,000	7,436,980	6,062,855	9,062,835
Property, plant and equipment	12	309,433	313,486	-	-
Deferred tax	17(a)	33,252	46,169	-	-
Intangible assets	13	1,544,729	1,544,729	-	-
Total non-current assets		6,406,965	9,341,364	6,145,406	9,062,835
TOTAL ASSETS		41,584,807	38,635,434	40,561,106	37,563,863
LIABILITIES					
Current liabilities					
Trade and other payables	15	753,894	694,685	271,237	185,172
Current tax payable	17(b)	860,041	425,290	851,075	416,324
Provisions	16	91,871	119,027	-	-
Total current liabilities		1,705,806	1,239,002	1,122,312	601,496
Non-current liabilities					
Deferred tax	17(b)	1,501,561	1,161,245	1,501,561	1,161,245
Provisions	16	18,893	34,607	-	-
Total non-current liabilities		1,520,454	1,195,852	1,501,561	1,161,245
TOTAL LIABILITIES		3,226,260	2,434,854	2,623,873	1,762,741
NET ASSETS		38,358,547	36,200,580	37,937,233	35,801,122
EQUITY					
Issued capital	18	32,846,888	31,742,192	32,846,888	31,742,192
Distributable reserve		5,496,791	4,443,237	5,090,345	4,058,930
Parent interest		38,343,679	36,185,429	37,937,233	35,801,122
Minority equity interest		14,868	15,151	-	-
TOTAL EQUITY		38,358,547	36,200,580	37,937,233	35,801,122

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Statement of Changes in Equity

31 December 2007

31 December 2007		Parent		
		Ordinary Shares	Retained Earnings	Total
		$	$	$
Balance at 1 July 2007		31,742,192	4,058,930	35,801,122
Profit attributable to members		-	3,191,713	3,191,713
Issue of shares		1,104,696	-	1,104,696
Dividends paid or provided for	19	-	(2,160,298)	(2,160,298)
Balance at 31 December 2007		32,846,888	5,090,345	37,937,233

30 June 2007		Parent		
		Ordinary Shares	Retained Earnings	Total
		$	$	$
Balance at 1 July 2006		1,556,599	1,199	1,557,798
Profit attributable to members		-	5,667,731	5,667,731
Issue of shares		32,067,334	-	32,067,334
Transaction costs		(1,872,074)	-	(1,872,074)
Adjustment of investment in subsidiaries		(9,667)	-	(9,667)
Dividends paid or provided for	19	-	(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

31 December 2007

31 December 2007		Consolidated		
		Ordinary Shares	Retained Earnings	Total
		$	$	$
Balance at 1 July 2007		31,742,192	4,443,236	36,185,428
Profit attributable to members		-	3,213,853	3,213,853
Issue of shares		1,104,696	-	1,104,696
Dividends paid or provided for	19	-	(2,160,298)	(2,160,298)
Balance at 31 December 2007		32,846,888	5,496,791	38,343,679

30 June 2007		Consolidated		
		Ordinary Shares	Retained Earnings	Total
	Note	$	$	$
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	19	-	(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

Statement of Cash Flows

For the Half-Year Ended 31 December 2007

		Consolidated		Parent	
		December 31 2007	June 30 2007	December 31 2007	June 30 2007
	Note	$	$	$	$
Cash from operating activities:					
Receipts from customers		4,391,429	5,791,724	2,207,648	1,916,035
Payments to suppliers and employees		(2,513,713)	(4,860,510)	(981,730)	(1,387,557)
Dividends received		-	48,650	-	48,650
Interest received		584,066	1,475,094	555,741	1,365,686
Interest paid		(5,734)	(7,485)	(1,313)	(365)
Income taxes paid		(570,224)	(1,334,857)	-	(1,314,742)
Net cash provided by (used in) operating activities	7(a)	1,885,824	1,112,616	1,780,346	627,707
Cash flows from investing activities:					
Proceeds from disposal of investments		3,557,541	-	3,557,541	-
Acquisition of property, plant and equipment		(33,637)	(179,219)	-	-
Acquisition of other investments		-	(25,864,327)	-	(25,934,168)
Loans to employees - payments made		-	(375,813)	-	(346,390)
Loans to employees - proceeds from repayments		157,349	-	157,349	-
Loans to related parties - payments made		(5,850,693)	(2,350,000)	(5,995,423)	(1,900,000)
Loans to related parties - proceeds from repayments		2,561,606	1,785,000	2,561,606	1,785,000
Net cash provided by (used in) investing activities		392,166	(26,984,359)	281,073	(26,395,558)
Cash flows from financing activities:					
Proceeds from the issue of share capital		-	30,185,592	-	30,185,593
Dividends paid by parent entity		(1,242,759)	(3,110,000)	(1,242,759)	(3,110,000)
Net cash provided by (used in) financing activities		(1,242,759)	27,075,592	(1,242,759)	27,075,593
Net increase (decreases) in cash held		1,035,231	1,203,849	818,660	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	6(b)	2,910,818	1,875,587	2,592,110	1,773,450

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 2007 was authorised for issue in accordance with the resolution of the directors on 26 February 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.

Comparative Figures

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

Principals of Consolidation

Controlled entities

A list of controlled entities is contained in Note 23 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.

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.

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.

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.

1 Statement of Significant Accounting Policies continued

Property, Plant and Equipment continued

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 in profit and loss in the year the asset is derecognised.

Impairment of Assets

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

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

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

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

Financial Instruments

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist.

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

Available-for-sale financial assets

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

Financial liabilities

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

Fair value

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.

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.

1 Statement of Significant Accounting Policies continued

Intangibles

Goodwill

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

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

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

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

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

As at 31 December 2007, there is no indication that impairment exists.

1 Statement of Significant Accounting Policies continued

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 over 20% 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.

As at 31 December 2007, the results of the Group's associate, Pelorus Storage Advantage Pty Limited which the Group holds 33% equity interest, is immaterial to be included in the consolidated balance sheet.

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 uncollectable.

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.

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.

1 Statement of Significant Accounting Policies continued

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 management contracts is recognised monthly in arrears.

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

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

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

Income Tax

Current Income Tax expense

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

1 Statement of Significant Accounting Policies continued

Income Tax continued

Deferred income tax assets

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

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

Benefit brought to account

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

Tax consolidations

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

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.

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.

2 Segment Reporting

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

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

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

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

The investment segment engages in short term investing activities.

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

2 Segment Reporting continued

	Funds Management		Property Services		Investment		Consolidated	
	December 31 2007 $	December 31 2006 $	December 31 2007 $	December 31 2006 $	December 31 2007 $	December 31 2006 $	December 31 2007 $	December 31 2006 $
REVENUE								
Revenue from external customers:								
Income	2,966,806	2,350,728	2,089,422	2,394,227	2,060,838	1,151,743	7,117,066	5,896,698
Total revenue	2,966,806	2,350,728	2,089,422	2,394,227	2,060,838	1,151,743	7,117,066	5,896,698
RESULT								
Segment results	2,330,483	2,120,676	1,134,939	344,232	1,106,356	1,151,743	4,571,777	3,616,651
Unallocated expenses:								
Income tax expense	-	-	-	-	-	-	(1,358,207)	(969,624)
Net profit for the year	-	-	-	-	-	-	(3,213,570)	2,647,027
ASSETS								
Segment assets	3,437,491	3,280,211	791,927	693,544	37,322,137	24,127,372	41,551,555	28,101,127
Unallocated assets	-	-	-	-	-	-	33,252	111,883
Total assets	3,437,491	3,280,211	791,927	693,544	37,322,137	24,127,372	41,584,807	28,213,010
LIABILITIES								
Segment liabilities	271,237	1,468,439	602,387	246,946	-	-	873,624	1,715,385
Unallocated liabilities	-	-	-	-	-	-	2,352,636	-
Total liabilities	271,237	1,468,439	602,387	246,946	-	-	3,226,260	1,715,385

2 Segment Reporting continued

	Funds Management		Property Services		Investment		Consolidated	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006	December 31 2007	December 31 2006	December 31 2007	December 31 2006
	$	$	$	$	$	$	$	$
OTHER								
Depreciation	-	-	37,690	22,795	-	-	37,690	22,795

3 Revenue

(a) Investment income

	Consolidated		Parent	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006
	$	$	$	$
Finance income from financial institutions	134,039	573,125	105,714	520,816
Finance income from related parties	450,027	230,214	450,027	230,214
Gains on disposal of assets	342,386	122,043	342,386	122,043
Unrealised gains on revaluation of held for trading financial assets	1,134,386	226,361	1,134,386	226,361
Total other revenue	2,060,838	1,151,743	2,032,513	1,099,434

4 Included in income statement under expenses by function

(a) Employee costs

	Consolidated		Parent	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006
	$	$	$	$
Salaries & wages	1,037,397	1,149,308	-	-
(Decrease) / increase in liability for annual leave	(27,156)	-	-	-
(Decrease) / increase in liability for long service leave	(15,714)	-	-	-
Contributions to defined contribution superannuation funds	116,022	120,678	-	-
Consultant fees	205,284	214,281	205,284	-
Other associated personnel expenses	164,574	140,269	-	-
Total employee costs	1,480,407	1,624,536	205,284	-

4 Included in income statement under expenses by function continued

(b) Occupancy costs

	Consolidated		Parent	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006
	$	$	$	$
Occupancy costs	84,392	82,390	-	-
Leasing fees	-	9,000	-	-
Total occupancy costs	84,392	91,390	-	-

5 Income Tax Expense

(a) The components of tax expense comprise:

	Consolidated		Parent	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006
	$	$	$	$
Current tax	1,020,610	1,034,362	1,020,860	920,951
Relating to origination and reversal of temporary differences	353,233	(64,738)	340,316	(64,739)
Over provision in prior year	(15,637)	-	(15,637)	-
Total income tax expense	1,358,206	969,624	1,345,539	856,212

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

	Consolidated		Parent	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006
	$	$	$	$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2007: 30%)				
- Consolidated entity	1,371,533	969,624	1,361,176	856,212
Add:				
Tax effect of:				
- Entertainment	2,137	-	-	-
- Other adjustments	173	-	-	-
Less:				
Tax effect of:				
- Over provision in prior year	15,637	-	15,637	-
Income tax attributable to entity	1,358,206	969,624	1,345,539	856,212

6 Cash and Cash Equivalents

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 2007
	$	$	$	$
Cash on hand	500	500	-	-
Cash at bank	2,560,947	1,875,087	2,242,739	1,773,450
Short-term bank deposits	349,371	-	349,371	-
Total cash and cash equivalents	2,910,818	1,875,587	2,592,110	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	
	December 31 2007	June 30 2007	December 31 2007	June 30 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	2,910,818	1,875,587	2,592,109	1,773,450
	2,910,818	1,875,587	2,592,109	1,773,450

(c) Short term bank deposits

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

7 Cash Flow Information

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

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 2007
	$	$	$	$
Net income/loss for the period	3,213,570	5,909,258	3,191,713	5,667,728
Non-cash flows in profit				
Depreciation	37,690	48,306	-	-
Net (gain)/loss on disposal of investments	(342,386)	(659,651)	(342,386)	(654,680)
Unrealised (gains)/losses on investments	(1,134,386)	(3,870,817)	(1,134,386)	(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	(1,514,957)	(513,091)	(1,628,515)	22,386
(Increase)/decrease in other receivables	850,158	(953,038)	869,357	(910,817)
(Increase)/decrease in prepayments	(28,186)	1,480,206	-	1,488,351
Increase/(decrease) in trade payables and accruals	59,208	(1,248,628)	86,065	(2,114,286)
Increase/(decrease) in other payables	-	-	(36,569)	-
Increase/(decrease) in income taxes payable	787,983	(161,403)	434,751	(161,403)
Increase/(decrease) in deferred taxes balances	-	1,172,866	340,316	1,161,245
Increase/(decrease) in provisions	(42,870)	(36,831)	-	-
Cashflow from operations	1,885,824	1,156,723	1,780,346	627,707

8 Trade and Other Receivables

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 2007
	$	$	$	$
CURRENT				
Trade receivables	2,088,216	573,259	1,628,515	-
Sundry debtors	163,278	1,013,436	100,570	969,927
Intercompany tax (payable) / receivable	-	-	-	(36,569)
Total trade and other receivables	2,251,494	1,586,695	1,729,085	933,358

9 Financial Assets

(a) Current financial assets

		Consolidated		Parent	
		December 31 2007	June 30 2007	December 31 2007	June 30 2007
	Note	$	$	$	$
Held for trading (fair value through income)	9(c)	24,121,647	23,097,830	24,121,647	23,097,830
Loans and receivables	9(d)	5,857,552	2,725,813	5,972,859	2,696,390
Total current financial assets		29,979,199	25,823,643	30,094,506	25,794,220

(b) Non-current financial assets

Available for sale financial assets	9(e)	4,437,000	7,436,980	4,437,000	7,436,980
Shares in controlled enties	9(f)	-	-	1,625,855	1,625,855
Total non-current financial assets		4,437,000	7,436,980	6,062,855	9,062,835

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

Listed securities	435,323	672,773	435,323	672,773
Unlisted unit trusts	23,564,097	22,406,257	23,564,097	22,406,257
Other financial assets	122,227	18,800	122,227	18,800
Total held-for-trading financial assets	24,121,647	23,097,830	24,121,647	23,097,830

Held-for trading financial assets comprise of investments in listed securities and unlisted unit trusts. The fair value of the listed financial assets are based on current bid prices for quoted investments and the fair value of the unlisted unit trusts are based on independent property valuations performed on the underlying properties.

9 Financial Assets continued

(d) Loans and receivables Comprise:

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 2007
	$	$	$	$
Loans and receivables from related parties	5,651,548	2,539,041	5,651,548	2,539,041
Other loans and receivables	206,004	186,772	321,311	157,349
Total loans and receivables	5,857,552	2,725,813	5,972,859	2,696,390

Loans and receivables are recorded at amortised cost.

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

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 2007
	$	$	$	$
Unlisted investments, at cost units in unit trusts	4,437,000	7,436,980	4,437,000	7,436,980
Total available-for-sale financial assets	4,437,000	7,436,980	4,437,000	7,436,980

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

(f) Investments in controlled entities:

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 2007
	$	$	$	$
Shares in controlled entities	-	-	1,625,855	1,625,855
Total investment in controlled entities	-	-	1,625,855	1,625,855

Investment in controlled entities are recorded at cost.

Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

For the Half-Year Ended 31 December 2007

10 Investments Accounted for Using the Equity Method

		Consolidated		Parent	
		December 31 2007	June 30 2007	December 31 2007	June 30 2007
	Note	$	$	$	$
Associated companies	11	10,000	-	10,000	-
Interests in joint venture entities		72,551	-	72,551	-
Total investments		82,551	-	82,551	-

11 Associated Companies

Interests are held in the following associated company:

Name	Principal Activities	Country of Incorp-oration	Ownership Interest		Carrying Amount of Investment	
			December 31 2007	June 30 2007	December 31 2007	June 30 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	-

12 Property Plant and Equipment

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 2007
	$	$	$	$
PLANT AND EQUIPMENT				
Furniture, fixtures and fittings				
At cost	236,569	224,905	-	-
Less accumulated depreciation	(55,841)	(37,578)	-	-
Total furniture, fixtures and fittings	180,728	187,327	-	-
Office equipment				
At cost	263,139	238,067	-	-
Less accumulated depreciation	(134,434)	(111,908)	-	-
Total office equipment	128,705	126,159	-	-
Total property, plant and equipment	309,433	313,486	-	-

12 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	11,664	25,215	36,879
Disposals	-	(3,242)	(3,242)
Depreciation expense	(18,263)	(19,427)	(37,690)
Balance at 31 December 2007	180,728	128,705	309,433
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

13 Intangible Assets

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 2007
	$	$	$	$
Goodwill				
Goodwill on consolidation	1,544,729	1,544,729	-	-
Net carrying value	1,544,729	1,544,729	-	-
Total Intangibles	1,544,729	1,544,729	-	-

Goodwill 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 management's budget for the 2008 financial year. Based on a discount rate of 15%, the goodwill is fully recoverable in less than 2 years.

14 Prepayments

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 2007
	$	$	$	$
CURRENT				
Prepayments	36,331	8,145	-	-
Total prepayments	36,331	8,145	-	-

15 Trade and Other Payables

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 2007
	$	$	$	$
CURRENT				
Unsecured liabilities				
Trade payables	699,905	641,895	270,988	110,761
Sundry payables and accrued expenses	53,989	52,790	-	74,411
Other payables	-	-	249	-
Total trade and other payables	753,894	694,685	271,237	185,172

16 Provisions

	Employee entitlements	Total
	$	$
Opening balance at 1 July 2007	153,634	153,634
Additional provisions	40,742	40,742
Amounts used	(83,612)	(83,612)
Balance at 31 December 2007	110,764	110,764

(a) Analysis of Total Provisions

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 2007
	$	$	$	$
Current	91,871	119,027	-	-
Non current	18,893	34,607	-	-
Total provisions	110,764	153,634	-	-

The number of employees for the group as at 31 December 2007 is 31 (30 June 2007:26).

17 Tax

(a) Assets

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 2007
	$	$	$	$
NON-CURRENT				
Deferred tax assets comprise:				
Employee entitlements	33,252	46,169	-	-
Total non current tax assets	33,252	46,169	-	-

(b) Liabilities

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 2007
	$	$	$	$
CURRENT				
Income tax	860,041	425,290	851,075	416,324
Total current tax liabilities	860,041	425,290	851,075	416,324
NON-CURRENT				
Deferred tax liability comprises:				
Fair value adjustments	1,501,561	1,161,245	1,501,561	1,161,245
Total non-current tax liabilities	1,501,561	1,161,245	1,501,561	1,161,245

18 Issued Capital

(a) Summary Table

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 2007
	$	$	$	$
109,683,053 (30 June 2007: 107,650,320) Ordinary	32,846,888	31,742,192	32,846,888	31,742,192
Total issued capital	32,846,888	31,742,192	32,846,888	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	
	December 31 2007	June 30 2007	December 31 2007	June 30 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
At reporting date	109,683,053	107,650,320	109,683,053	107,650,320

18 Issued Capital continued

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

19 Dividends

(a) Dividends and distributions paid table

Distributions paid

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 2007
	$	$	$	$
Payment of final fully franked ordinary dividend of 2 cents per share	2,160,298	-	2,160,298	-
Payment of interim fully franked ordinary dividend of 1.75 cents per share	-	1,610,000	-	1,610,000
Total distributions	2,160,298	1,610,000	2,160,298	1,610,000

b Balance of franking account

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 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% (2006: 30%)	(222,430)	133,189	(222,430)	133,189
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	860,041	416,324	860,041	416,324
Total franking account balance	637,611	549,513	637,611	549,513

20 Auditors' Remuneration

Auditor's Remuneration

	Consolidated		Parent	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006
	$	$	$	$
Remuneration of the auditor of the parent entity for:				
- Auditing or reviewing the financial report	35,000	18,000	35,000	18,000
- Auditing or reviewing the financial report of the Managed Investment Schemes for whom PPGL acts as Responsible Entity	16,500	10,000	16,500	10,000
- Taxation services	11,000	13,000	11,000	13,000
- Other services	5,335	1,500	5,335	1,500

21 Capital and Leasing Commitments

Operating Lease Commitments

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

	Consolidated		Parent	
	December 31 2007	June 30 2007	December 31 2007	June 30 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 committments as at 31 December 2007 (31 December 2006: Nil).

22 Events After the Balance Sheet Date

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

23 Controlled Entities

Name	Country of incorporation	Percentage Owned December 31 2007	Percentage Owned June 30 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	100
Pelorus Management (NZ) Limited *	New Zealand	100	-
WRV Pty Limited *	Australia	100	-

* The results and net assets of wholly-owned subsidiaries have not been consolidated on the basis they have been operating for a short period of time during the period and their results and net assets are immaterial to the Group.

24 Related party transactions

(a) Detailed table

	Consolidated		Parent	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006
	$	$	$	$
Management fees received				
Kirela Pty Ltd (Bakehouse Quarter Fund)	1,195,901	1,410,789	1,195,901	1,410,789
JPS Properties Pty Ltd	15,472	9,000	-	-
Mosman Branch Pty Ltd	6,511	10,800	-	-
Alerik Pty Ltd	55,375	124,165	55,375	124,165
Claremont Street Pty Ltd	63,606	2,700	-	-
Capital Storage Services Pty Ltd (Pelorus Storage Fund)	10,433	-	-	-
Planloc Pty Ltd (Pelorus Penrith Fund No 2)	442,474	86,483	442,474	86,483
WRV Unit Trust	2,282,060	-	2,282,060	-
Total	4,071,832	1,643,937	3,975,810	1,621,437
Rent paid				
JPS Properties Pty Ltd	84,392	91,390	-	-
Total	84,392	91,390	-	-

24 Related party transactions continued

(a) Detailed table continued

	Consolidated		Parent	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006
	$	$	$	$
Consultancy fees paid				
Frogstorm Pty Ltd	140,998	85,710	-	-
Castle Bay Pty Ltd	64,286	128,571	-	-
Total	205,284	214,281	-	-
Interest received				
Frogstorm Pty Ltd	9,688	-	9,688	-
Old Bear Pty Ltd	7,507	-	7,507	-
Planloc Pty Ltd	197,637	-	197,637	-
Claremont Street Pty Ltd	-	60,635	-	60,635
Kirela Pty Ltd	27,011	64,341	27,011	64,341
Pelorus Storage Fund	82,997	51,627	82,997	51,627
WRV Unit Trust	118,898	-	118,898	-
JPS Properties Pty Ltd	6,289	53,611	6,289	53,611
Total	450,027	230,214	450,027	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
Kirela Pty Ltd	500,000	3,500,000	500,000	3,500,000
Old Bear Pty Ltd	196,548	110,524	196,548	110,524
Pelorus PIPES - Penrith Fund	-	1,000,000	-	1,000,000
Frogstorm Pty Ltd	250,000	104,229	250,000	80,000
Pelorus Storage Fund	-	37,282	-	37,282
WRV Unit Trust	4,700,000	-	4,700,000	-
Pelorus Storage Advantage Pty Ltd	5,000	-	5,000	-
Total	5,651,548	7,842,035	5,651,548	7,817,806

(b) Identification of Related Parties

Planloc Pty Ltd: (Pelorus Penrith Fund)	Seph Glew, Paul Tresidder, Richard Hill, Guy Wynn
Kirela Pty Ltd: (Bakehouse Quarter Fund)	Seph Glew, Paul Tresidder, Robin Tedder, Richard Hill, Stuart Brown, Guy Wynn
JPS Properties Pty Ltd:	Seph Glew, Paul Tresidder
Mosman Branch Pty Ltd:	Seph Glew, Paul Tresidder, Richard Hill, Guy Wynn

24 Related party transactions continued

b Identification of Related Parties continued

Alerik Pty Ltd:	Seph Glew, Paul Tresidder, Robin Tedder, Richard Hill,
(Alerik Unit Trust)	Guy Wynn
Claremont Street Pty Ltd:	Seph Glew, Paul Tresidder
Frogstorm Pty Ltd:	Stuart Brown
Old Bear Pty Ltd:	David Tresidder
Castle Bay Pty Ltd:	Guy Wynn
Capital Storage Services Pty Ltd: (Pelorus Storage Fund)	Stuart Brown,
WRV Pty Ltd ATF: WRV Unit Trust	Seph Glew, Paul Tresidder, Guy Wynn, Stuart Brown, Robin Tedder, Richard Hill

(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 2007 is:

Shares: 49,950,746 (30 June 2007: 54,642,348) Ordinary shares

(d) Property management and leasing fees received

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

(e) Funds management fees

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

(f) Rental expenses

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

(g) Consultancy fees

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

24 Related party transactions continued

(h) Loans to related parties

Kirela Pty Ltd

$500,000 was loaned to Kirela Pty Ltd. The loan is secured by real property known as "The Bakehouse Quarter" situtated on George Street, North Strathfield. Interest is charged at the rate of the Bank Bill Swap Rate plus a margin of 1.10% annum.

Old Bear Pty Ltd and Frogstorm Pty Ltd

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

WRV Pty Ltd ATF WRV Unit Trust

$4,700,000 was loaned to WRV Pty Ltd ATF WRV Unit Trust. The loan is secured by an equitable second mortgage 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.

25 Founding shareholder options

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

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

26 Key Management Personnel Compensation

(a) Key Management Personnel

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

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

(b) Key Management Personnel Compensation

31 December 2007

	Consulting fees	Director fees	Salaries	Total
	$	$	$	$
Guy Wynn	64,286	-	-	64,286
Stuart Brown	140,998	-	-	140,998
Simon Hayes	-	-	75,000	75,000
	205,284	-	**75,000**	280,284

31 December 2006

	Consulting fees	Directors fees	Total
	$	$	$
Stuart Brown	85,710	-	85,710
Guy Wynn	128,571	-	128,571
	214,281	-	214,281

26 Key Management Personnel Compensation continued

(c) Relevant interests

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 31/12/2007
Key Management Personnel				
Seph Glew	15,670,167	-	476,987	16,147,154
Guy Wynn	7,992,590	-	382,465	8,375,055
Stuart Brown **	6,603,753	-	(2,893,033)	3,710,720
Paul Tresidder	15,648,135	-	157,777	15,805,912
Robin Tedder **	8,727,703	-	(2,815,798)	5,911,905
Total shareholding	54,642,348	-	(4,691,602)	49,950,746

* Net change other refers to shares purchased or sold during the financial for the half-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.

27 Financial Instruments

a Financial Risk Management - Financial Risks

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.

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

27 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			
	31 December 2007		30 June 2007		31 December 2007		30 June 2007	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$	$	$	$	$
Financial assets								
Cash	2,561,447	2,561,447	1,875,587	1,875,587	2,242,739	2,242,739	1,773,450	1,773,450
Trade receivables	2,088,216	2,088,216	573,259	573,259	1,628,515	1,628,515	-	-
Loans receivables	5,857,552	5,857,552	2,725,813	2,725,813	5,972,859	5,972,859	2,696,390	2,696,390
Held for trading financial assets	24,121,647	24,121,647	23,097,830	23,097,830	24,121,647	24,121,647	23,097,830	23,097,830
Available for sale financial assets	4,437,000	4,437,000	7,436,980	7,436,980	4,437,000	4,437,000	7,436,980	7,436,980
Financial liabilities								
Trade payables	699,905	699,905	641,895	641,895	270,988	270,988	110,761	110,761
Total	39,765,767	39,765,767	36,351,364	36,351,364	38,673,748	38,673,748	35,115,411	35,115,411

27 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	
	31 December 2007	30 June 2007	31 December 2007	30 June 2007	31 December 2007	30 June 2007	31 December 2007	30 June 2007	31 December 2007	30 June 2007
	%	%	$	$	$	$	$	$	$	$
Financial Assets:										
Cash and cash equivalents	5.50	5.30	2,561,447	1,875,587	-	-	-	-	2,561,447	1,875,587
Trade receivables	-	-	-	-	-	-	2,088,216	573,259	2,088,216	573,259
Loan receivables	8.10	7.75	-	-	5,857,552	2,725,813	-	-	5,857,552	2,725,813
Total Financial Assets			2,561,447	1,875,587	5,857,552	2,725,813	2,088,216	573,259	10,507,215	5,174,659
Financial Liabilities:										
Trade and sundry payables	-	-	-	-	-	-	699,905	641,895	699,905	641,895
Total Financial Liabilities			-	-	-	-	699,905	641,895	699,905	641,895

28 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