

27 February 2009

**ASX/MEDIA ANNOUNCEMENT**

**PELORUS PROPERTY GROUP LTD (ASX Code: PPI)  
FIRST HALF FY09 RESULTS  
RESULTS SUMMARY**

**A) EARNINGS**

Underlying Earnings	\$1.30m
Gains On Disposal Of Assets	\$1.19m
Gains On Acquisition Of Investments	\$12.41m
Asset Impairment Provisions	<u>(\$8.53m)</u>
Net Profit Before Tax	\$6.37m

**B) BALANCE SHEET**

Assets

Cash And Cash Equivalents		\$2.30m
Financial Assets		\$7.69m
Investment Property	Value @ Jun08	\$200.14m
	Asset Impairment Provision	<u>(\$24.77m)</u>
	Carrying Value @ Dec08	\$175.37m
Intangible Assets		\$1.57m
Other Assets		<u>\$0.35m</u>
Total Assets		\$187.28m

Liabilities

Payables	\$0.96m
Mortgages On Investment Property	\$87.42m
Interest Rate Hedge Liabilities	\$3.98m
Minorities	\$0.92m
Deferred Tax	\$1.61m
Other Liabilities	<u>\$0.13m</u>
Total Liabilities	\$95.02m

Shareholders Equity	\$92.26m
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Shares On Issue	361,703,893
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NTA Per Share	\$0.26
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This summary does not include a comparison with prior years as the merger approved by shareholders in November 2008 has significantly changed the group's asset and income profile from that of the previous period.

## BUSINESS COMMENTARY

Pelorus Property Group's merger with a number of its related property investment vehicles in December 2008 has transformed it from a funds management and property services provider with partial interests in a number of investments to a property holding company with a funds management and property services business. The merger has expanded the group's capital base and has created a stable income flow that will allow it to expand its funds management activity without a need to rely on short-term fee income.

The global financial crisis is having a negative effect on most asset classes and Pelorus is not immune. The group accounts have been prepared after a write down in the value of the property portfolio of \$24.8m (14.4%) and include other provisions totalling \$8.53m. These adjustments have had the effect of increasing the group's gearing from 40% to 49%.

Pelorus has interest rate hedges in place with respect to \$79.5m of the group's property related debt. These hedge contracts are at rates ranging from 5.55% pa to 6.27% pa and the dramatic fall in interest rates over recent months has resulted in a revenue charge and the recognition of a liability in the half-year accounts. As these contracts run off (\$19m in 2009, \$20m in 2010, \$10.5m in 2011 and \$30m in 2012) the liability will reduce providing an opportunity for new contracts to be established at significantly lower rates. This is expected to have a positive effect on group earnings and cash flow.

The Pelorus property portfolio's EBIT is currently \$10.6m per annum with the properties 91.3% leased. The dominant asset in the portfolio is the Bakehouse Quarter project at North Strathfield in Sydney.

The Bakehouse Quarter is an ongoing development with capacity to add 40,000 sqm to the existing 35,000 sqm of commercial and retail space. The project currently generates EBIT of \$8.9m per annum, 72% of which is from 'A' Grade tenants with lease expiries between 3 and 13 years. With this stable cash flow there is no pressure to construct further buildings and future development will only be commenced with tenant commitments and funding in place.

The Pelorus property portfolio's debt is with three different lenders with the largest exposure to one lender being \$40m. Two of these facilities totalling \$46m expire later this year and while both lenders are expected to extend the facilities they have warned that it will be at higher margins than the historically low margins that the group has been enjoying.

In addition to the property portfolio recognised on the Pelorus balance sheet there is a 40% interest in a distressed retail project in Wellington, New Zealand. Pelorus's total exposure to this \$NZ45m property is \$NZ300,000 and the group has no liability for the project's debt. The retail market in NZ is extremely difficult at the present time but the property is now 82% leased and is expected to become cashflow positive this year.

Pelorus has a long history of working with difficult or distressed properties. With the group restructure now complete Pelorus is focussed not only on distressed real estate assets but also on the structures in which they are held and the entities that control them.

In recent years there has been a proliferation of "capital allocator" fund managers that are one or two steps removed from the physical property assets and treat real estate as a generic commodity to which they need add little or no value. Pelorus is optimistic that the current

market dislocation will result in a greater understanding of the merits of the vertically integrated “hands on” fund management model.

In the current market, Pelorus’s business strategy is to look for mergers with or acquisitions of smaller or financially stressed fund managers and to participate in portfolio or individual property workouts. Pelorus is now structured to be able to work for equity rather than fee income especially where this will increase the capacity for distressed investment structures to weather the current economic storm.

Stuart Brown  
Managing Director

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## RESULTS FOR ANNOUNCEMENT TO MARKET

### SUMMARY

For the six months ending	31-Dec-08	31-Dec-07	Change	Change %
Revenue	\$9,180,582	\$7,117,066	\$2,063,516	29%
Pre Tax Profit	\$6,369,471	\$4,571,777	\$1,797,694	39%
Net Profit after tax attributable to members	\$4,680,478	\$3,213,853	\$1,466,625	46%

### EXPLANATION OF RESULTS

A detailed explanation of the results for the period ended 31 December 2008 is contained in the ASX/Media Announcement accompanying this report.

### DIVIDENDS

No interim dividend has been declared.

### NET TANGIBLE ASSETS VALUE PER SHARE

	31-Dec-08	31-Dec-07	Change	Change %
NTA per share	\$0.26	\$0.34	(\$0.08)	-24%

### CONTROLLED ENTITY CHANGES

Entity	Date Control Gained
Planloc Pty Ltd	1-Dec-08
RASP Investments Pty Ltd	31-Dec-08
RASP Investments No. 2 Pty Ltd	31-Dec-08
The Bakehouse Quarter Fund	31-Dec-08

### ASSOCIATES AND JOINT VENTURE ENTITIES

Please see the financial statements for the half-year ended 31 December 2008 for details on associates and joint venture entities.

### STATEMENT ON AUDIT

The financial statements for the half-year ended 31 December 2008 are attached and are not subject to any dispute or qualification.

# PELORUS

PROPERTY GROUP

AND CONTROLLED ENTITIES

## INTERIM FINANCIAL REPORT

Half Year Ended 31 December 2008



**Bakehouse Quarter**  
North Strathfield NSW



**120 Mulgoa Road**  
Penrith NSW



**850 Woodville Road**  
Villawood NSW



**Trentham City Shopping Centre**  
Upper Hut, New Zealand

**Pelorus Property Group Limited**

**ABN:** 45 091 209 639

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## Directors' Report

Your directors present their report for Pelorus Property Group Ltd and controlled entities for the half-year ended 31 December 2008.

### Information on Directors

The names of the directors in office for the half-year and to the date of this report are:

<u>Name</u>	<u>Responsibilities</u>
Seph Glew	Executive Chairman
Stuart Brown	Managing Director
Guy Wynn	Executive Director
Paul Tresidder	Executive Director
Robin Tedder	Non-Executive Director
Richard Hill	Independent Non-Executive Director

### Results and Review of Operations

For an explanation of the results and review of operations see the Pelorus ASX/Media Announcement accompanying this report.

### 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 this interim financial report.

Signed in accordance with a resolution of the Directors.



Stuart Brown  
Managing Director  
27 February 2009



## Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

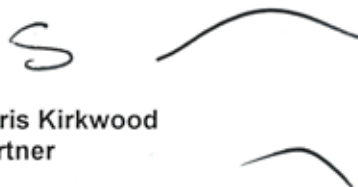
### Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2008 there have been:

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

Dated at Sydney the 27th day of February 2009.

  
Einfeld Symonds Vince

  
Chris Kirkwood  
Partner



## Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

### Independent Review Report to the members of Pelorus Property Group Ltd and Controlled Entities

#### Scope

We have reviewed the attached half-year general purpose financial report of Pelorus Property Group Limited ("the Company") and Controlled Entities ("Group") which comprises the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity, cash flow statement for the half-year ended on that date, accompanying notes to the financial statements and the Director's declaration for the year ended on that date.

The financial report has been prepared for distribution to the members for the purpose of fulfilling the Directors' financial reporting requirements under the *Corporations Act 2001*. We disclaim any assumption of responsibility for any reliance on this review report or on the financial report to which it relates to any person other than that for which it was prepared.

#### 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 Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### 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 Interim and Other Financial Reports 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's and Group's financial position as at 31 December 2008 and their performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Pelorus Property Group Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a 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 the *Corporations Act 2001*.

#### Review Opinion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pelorus Property Group Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

# Pelorus Property Group Ltd and Controlled Entities


ABN 45 091 209 639

## Independent Review Report to the members of Pelorus Property Group Ltd and Controlled Entities

- (a) giving a true and fair view of the financial position of the Company and Group for the half-year ended 31 December 2008 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Dated at Sydney the 27th day of February 2009.

  
Einfeld Symonds Vince

  
Christopher Kirkwood  
Partner

EINFELD  
SYMONDS VINCE

• CHARTERED ACCOUNTANTS •

## Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 55, 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 2008 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.



Stuart Brown  
Managing Director  
27 February 2009

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Income Statement

For the Half Year Ended 31 December 2008

	Note	Consolidated		Parent	
		31 December 2008	31 December 2007	31 December 2008	31 December 2007
		\$	\$	\$	\$
Fund Asset Management Income		1,097,291	2,966,806	593,952	2,966,806
Property Services Income		1,514,852	2,089,422	-	-
Investment Income	3(a)	1,467,568	584,066	1,196,456	555,741
Gain and loss on exchange differences		27,836	-	-	-
Gain and loss on disposal of assets		1,189,465	342,386	(62,538)	342,386
Gains on acquisition of investments	13	12,412,308	-	12,430,358	-
Unrealised (loss)/ gains on revaluation of assets	3(b)	(8,528,738)	1,134,386	(8,281,096)	1,134,386
<b>Total revenue</b>		<b>9,180,582</b>	<b>7,117,066</b>	<b>5,877,132</b>	<b>4,999,319</b>
Business operating expenses	4(a)	(2,598,367)	(2,503,008)	(528,886)	(402,034)
Finance costs	5	(75,172)	(5,734)	(5,933)	(1,313)
Mergers and acquisition expenses		(35,726)	-	(35,726)	-
Other expenses		(101,846)	(36,547)	(7,143)	(58,720)
<b>Profit before income tax</b>		<b>6,369,471</b>	<b>4,571,777</b>	<b>5,299,444</b>	<b>4,537,252</b>
Taxation	6(b)	(1,689,853)	(1,358,207)	(1,528,374)	(1,345,539)
<b>Profit for the period</b>		<b>4,679,618</b>	<b>3,213,570</b>	<b>3,771,070</b>	<b>3,191,713</b>
Minority interest		860	283	-	-
<b>Profit attributable to members of the parent</b>		<b>4,680,478</b>	<b>3,213,853</b>	<b>3,771,070</b>	<b>3,191,713</b>
Earnings Per Share:					
<b>Continuing operations:</b>					
Basic earnings per share		\$ 0.04	\$ 0.03	\$ -	\$ -
Diluted earnings per share		\$ 0.04	\$ 0.03	\$ -	\$ -

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Balance Sheet

As At 31 December 2008

	Note	Consolidated		Parent	
		31 December 2008	30 June 2008	31 December 2008	30 June 2008
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	2,013,652	4,561,003	1,542,071	4,005,001
Trade and other receivables	9	290,129	1,214,426	331,883	929,471
Other financial assets	10(a)	5,294,339	29,628,581	5,658,683	29,697,994
Other assets	17	9,488	20,873	-	-
<b>Total current assets</b>		<b>7,607,608</b>	<b>35,424,883</b>	<b>7,532,637</b>	<b>34,632,466</b>
<b>Non-current assets</b>					
Equity accounted investments	11	52,446	51,895	48,301	43,301
Other financial assets	10(b)	2,396,636	4,194,000	23,365,028	5,827,706
Property, plant and equipment	14	276,903	304,760	-	-
Investment properties	15	175,367,006	-	140,784,000	-
Intangible assets	16	1,574,251	1,582,728	-	29,404
<b>Total non-current assets</b>		<b>179,667,242</b>	<b>6,133,383</b>	<b>164,197,329</b>	<b>5,900,411</b>
<b>TOTAL ASSETS</b>		<b>187,274,850</b>	<b>41,558,266</b>	<b>171,729,966</b>	<b>40,532,877</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	18	935,524	1,188,536	297,201	776,649
Current tax payable	21	24,935	302,013	(92,223)	215,067
Provisions	20	126,330	138,505	-	-
<b>Total current liabilities</b>		<b>1,086,789</b>	<b>1,629,054</b>	<b>204,978</b>	<b>991,716</b>
<b>Non-current liabilities</b>					
Property debt	15	87,415,000	-	75,500,000	-
Deferred tax	21	1,606,260	1,404,323	1,688,255	1,435,686
Other liabilities	19	4,902,000	-	3,400,000	-
Provisions	20	-	31,793	-	-
<b>Total non-current liabilities</b>		<b>93,923,260</b>	<b>1,436,116</b>	<b>80,588,255</b>	<b>1,435,686</b>
<b>TOTAL LIABILITIES</b>		<b>95,010,049</b>	<b>3,065,170</b>	<b>80,793,233</b>	<b>2,427,402</b>
<b>NET ASSETS</b>		<b>92,264,801</b>	<b>38,493,096</b>	<b>90,936,733</b>	<b>38,105,475</b>
<b>EQUITY</b>					
Share capital	22	84,021,890	34,961,702	84,021,890	34,961,702
Reserves		(30,768)	(58,526)	-	-
Retained earnings		8,242,374	3,562,756	6,914,843	3,143,773
<b>Parent interest</b>		<b>92,233,496</b>	<b>38,465,932</b>	<b>90,936,733</b>	<b>38,105,475</b>
Minority equity interest		31,305	27,164	-	-
<b>TOTAL EQUITY</b>		<b>92,264,801</b>	<b>38,493,096</b>	<b>90,936,733</b>	<b>38,105,475</b>

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Statement of Changes in Equity

31 December 2008

31 December 2008		Parent	
	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2008	34,961,702	3,143,773	38,105,475
Profit attributable to members	-	3,771,070	3,771,070
Issue of options under employee share based payment	5,717	-	5,717
Issue of shares	49,375,400	-	49,375,400
Cost of issuing equity	(320,929)	-	(320,929)
<b>Balance at 31 December 2008</b>	<b>84,021,890</b>	<b>6,914,843</b>	<b>90,936,733</b>

30 June 2008		Parent	
	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2007	31,742,192	4,058,930	35,801,122
Profit attributable to members	-	3,438,801	3,438,801
Issue of shares	3,219,510	-	3,219,510
Dividends paid or provided for	23 -	(4,353,958)	(4,353,958)
<b>Balance at 30 June 2008</b>	<b>34,961,702</b>	<b>3,143,773</b>	<b>38,105,475</b>

The accompanying notes form part of these financial statements.



# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Statement of Changes in Equity

31 December 2008

31 December 2008		Consolidated			
		Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Total
		\$	\$	\$	\$
Balance at 1 July 2008		34,961,702	3,562,756	(58,526)	38,465,932
Profit attributable to members		-	4,679,618	-	4,679,618
Issue of options under employee share based payment		5,717	-	-	5,717
Issue of shares		49,375,400	-	-	49,375,400
Cost of issuing equity		(320,929)	-	-	(320,929)
Difference in opening balance due to foreign exchange difference on foreign entity		-	-	(31,392)	(31,392)
Reversal on foreign currency translation		-	-	59,150	59,150
<b>Balance at 31 December 2008</b>		<b>84,021,890</b>	<b>8,242,374</b>	<b>(30,768)</b>	<b>92,233,496</b>
30 June 2008		Consolidated			
	Note	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Total
		\$	\$	\$	\$
Balance at 1 July 2007		31,742,192	4,443,236	(58,526)	36,126,902
Profit attributable to members		-	3,473,478	-	3,473,478
Issue of shares		3,219,510	-	-	3,219,510
Dividends paid or provided for	23	-	(4,353,958)	-	(4,353,958)
<b>Balance at 30 June 2008</b>		<b>34,961,702</b>	<b>3,562,756</b>	<b>(58,526)</b>	<b>38,465,932</b>

The accompanying notes form part of these financial statements.



# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Statement of Cash Flows

31 December 2008

	Note	Consolidated		Parent	
		31 December 2008 \$	30 June 2008 \$	31 December 2008 \$	30 June 2008 \$
<b>Cash from operating activities:</b>					
Receipts from customers		2,847,511	7,969,891	762,118	3,536,327
Payments to suppliers and employees		(3,207,470)	(5,112,521)	(1,050,388)	(850,541)
Dividends received		961,451	20,069	872,607	20,069
Interest received		368,376	1,202,979	323,849	1,122,305
Interest paid		(75,172)	(16,491)	(5,933)	(8,428)
Income taxes paid		(594,995)	(1,201,776)	(564,407)	(1,177,172)
<b>Net cash provided by (used in) operating activities</b>	8(a)	299,701	2,862,151	337,846	2,642,560
<b>Cash flows from investing activities:</b>					
Proceeds from disposal of investments		8,799,671	2,591,501	197,669	2,591,501
Acquisition of subsidiary, net of cash acquired	13	110,161	-	-	-
Acquisition of property, plant and equipment		(5,569)	(67,900)	-	-
Acquisition of other investments		(1,192,140)	(322,849)	(615,752)	(322,849)
Loans to employees		(1,921)	(35,542)	-	-
Repayment from employees		24,083	157,349	-	157,349
Payment for research and development		-	(37,999)	-	(29,404)
Loans to related parties		(10,836,190)	(3,865,887)	(2,776,900)	(3,836,380)
Loans to controlled entity		-	-	-	(375,818)
Repayments from related parties		9,885	2,539,041	149,240	2,539,041
<b>Net cash provided by (used in) investing activities</b>		(3,092,020)	957,714	(3,045,743)	723,440
<b>Cash flows from financing activities:</b>					
Proceeds from the issue of share capital		686,244	3,219,510	686,243	3,219,510
Merger transaction costs		(320,929)	-	(320,929)	-
Dividends paid by parent entity		(120,347)	(4,353,959)	(120,347)	(4,353,959)
<b>Net cash provided by (used in) financing activities</b>		244,968	(1,134,449)	244,967	(1,134,449)
<b>Net increase (decreases) in cash held</b>		(2,547,351)	2,685,416	(2,462,930)	2,231,551
Cash on 1 July 2008		4,561,003	1,875,587	4,005,001	1,773,450
<b>Cash on 31 December 2008</b>	7(b)	2,013,652	4,561,003	1,542,071	4,005,001

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

31 December 2008

## 1 Statement of Significant Accounting Policies

### General information

#### Introduction

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

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

The financial report for Pelorus Property Group Ltd and controlled entities for the half-year ended 31 December 2008 was authorised for issue in accordance with the resolution of the directors on 24 February 2009.

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.

### Presentation of financial statements

#### Presentation currency

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

#### Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial half year. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

31 December 2008

### 1 Statement of Significant Accounting Policies continued

#### Principles of Consolidation

##### Controlled entities

A list of controlled entities is contained in Note 28 to the financial statements. All controlled entities have a June financial year-end and use consistent accounting policies.

##### Inter-company balances

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

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

#### Principles 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.

#### Critical accounting estimates and judgments

##### General

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

##### *Key estimates - Impairment*

The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. The directors believed it is appropriate to raise impairment provisions against investment property assets as well as against loans and receivables in the half year to 31 December 2008. The provisions have been raised in reference to the economic conditions.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

31 December 2008

## 1 Statement of Significant Accounting Policies continued

### Foreign currency translation

#### Group companies

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

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

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

### Property, Plant and Equipment

#### General Information

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

#### Plant and equipment

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

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

#### Depreciation

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

#### Useful life

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

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

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

# Pelorus Property Group Ltd and Controlled Entities

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Notes to the Financial Statements

31 December 2008

## 1 Statement of Significant Accounting Policies continued

### Property, Plant and Equipment continued

#### Disposal

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

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included within "other income" 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.

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

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

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

#### Research and development

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

#### Financial Instruments

##### Non-derivative financial instruments

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

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

# Pelorus Property Group Ltd and Controlled Entities

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Notes to the Financial Statements

31 December 2008

## 1 Statement of Significant Accounting Policies continued

### Financial Instruments continued

#### Recognition

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

#### Held-for trading financial assets

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

#### Loans and receivables

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

#### Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity until the financial assets are derecognised or determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit and loss.

#### Non-current assets held-for-sale

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

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

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

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 1 Statement of Significant Accounting Policies continued

#### Financial Instruments continued

##### Financial liabilities

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

Derivative financial liabilities are measured at fair value. Revaluations are included in the income statement where hedge accounting is not applied.

##### 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. A financial instrument is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

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

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

Impairment losses are recognised in the income statement.

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

##### Intangibles

##### Goodwill

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



# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

31 December 2008

### 1 Statement of Significant Accounting Policies continued

#### Intangibles continued

##### Goodwill continued

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or secondary reporting format determined in accordance with AASB 114 *Segment Reporting*.

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

As at 31 December 2008, there is no indication that impairment exists.

#### Investments in Associates

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

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

#### Cash and Cash Equivalents

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

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 1 Statement of Significant Accounting Policies continued

#### Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. Bad debts are written off when identified as uncollectible.

#### Trade and other payables

Liabilities for trade creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the company at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

#### Employee Benefits

##### Defined contribution plans

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

##### Other long-term employee benefits

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

##### Short-term benefits

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

#### Provisions

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

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

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 1 Statement of Significant Accounting Policies continued

#### Revenue

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

Revenue from property services contracts is recognised monthly in arrears.

#### Finance income

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

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

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

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

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

#### Income Tax

##### Current Income Tax expense

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

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

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

31 December 2008

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

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

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

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

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

The Group intends to enter into a tax sharing agreement whereby each entity in the group will contribute to the income tax payable in proportion to their contribution to the taxable profit of the tax consolidated group.

##### Goods and Services Tax (GST)

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

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

31 December 2008

### 1 Statement of Significant Accounting Policies continued

#### Goods and Services Tax (GST) continued

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.

#### Earnings per share

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

#### New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2008, but have not been applied in preparing this financial report.

\* Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interest. Key changes include: the immediate expensing of all transactions costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements.

\* AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Executive Officer in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business segments. Application of this standard will not affect any of the amounts in the financial statements, but may impact the type of information disclosed in relation to the Group's segment reporting.

\* Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. Application of this standard will not affect any of the amounts in the financial statements, but may result in changes in terminology used in the financial statements.

\* Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 2 Segment Reporting

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

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

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

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

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

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

The investment segment engages in investing activities.

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

# Pelorus Property Group Ltd and Controlled Entities

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Notes to the Financial Statements

31 December 2008

## 2 Segment Reporting continued

	Fund/ Asset Management		Property Services		Investment		Consolidated	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>								
Revenue from external customers:								
Income	1,097,291	2,966,806	1,514,850	2,089,422	6,568,441	2,060,838	9,180,582	7,117,066
<b>RESULT</b>								
Segment results	365,761	2,330,483	107,397	1,134,939	5,896,313	1,106,356	6,369,471	4,571,777
<b>Unallocated expenses:</b>								
Income tax expense	-	-	-	-	-	-	(1,689,853)	(1,358,207)
Net profit for the year	-	-	-	-	-	-	4,679,618	3,213,570
<b>ASSETS</b>								
Segment assets	2,198,977	3,437,491	1,214,581	791,927	182,657,727	37,322,137	186,071,285	41,551,555
Unallocated assets	-	-	-	-	-	-	1,203,565	33,252
<b>Total assets</b>	<b>2,198,977</b>	<b>3,437,491</b>	<b>1,214,581</b>	<b>791,927</b>	<b>182,657,727</b>	<b>37,322,137</b>	<b>187,274,850</b>	<b>41,584,807</b>
<b>LIABILITIES</b>								
Segment liabilities	309,668	271,237	796,458	602,387	92,329,085	-	93,435,211	873,624
Depreciation	-	-	33,426	37,690	-	-	33,426	37,690



# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 3 Revenue

#### (a) Investment income

	Consolidated		Parent	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	\$	\$	\$	\$
Dividends and distributions	961,541	-	872,607	-
Finance income from financial institutions	70,661	134,039	50,789	105,714
Finance income from related parties	270,921	450,027	249,446	450,027
Other finance income	26,704	-	23,614	-
Rental income	137,741	-	-	-
Total investment income	1,467,568	584,066	1,196,456	555,741

#### (b) Unrealised (loss)/ gains on revaluation of assets

	Consolidated		Parent	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	\$	\$	\$	\$
- Provision for interest rate hedge expense	(81,000)	-	-	-
- Provision for loans impairment	(3,151,191)	-	(2,984,549)	-
- Unrealised loss on revaluation of listed securities	(141,283)	-	(141,283)	-
- Unrealised (loss)/ gain on revaluation of units in Bakehouse Quarter Fund	(5,155,264)	1,134,386	(5,155,264)	1,134,386
Unrealised (loss)/ gains on revaluation of assets	(8,528,738)	1,134,386	(8,281,096)	1,134,386

At the full year ended 30 June 2008 the units in the Bakehouse Quarter Fund held by the Group (approximately 25% of the Fund) were classified as a Held-For-Sale asset to reflect management's intention to establish a new property investment fund to be seeded by this investment.

As part of the merger, Pelorus acquired all of the units in the Bakehouse Quarter Fund giving the Group control of the Bakehouse Quarter property. As a consequence, this asset is carried as an Investment Property in the consolidated balance sheet. Accordingly the interests held in the Fund prior to the merger have been reclassified from Held-For-Sale to Investment Property.

In recognising the interests acquired in properties as part of the merger, the directors resolved to write down the value of the portfolio by \$24.7 million to reflect the deteriorating economic conditions and sentiment with respect to commercial properties. As a consequence, the carrying value of the units in the Fund held prior to the merger have been impaired to reflect this write down. This impairment has generated the unrealised loss of \$5.1 million with respect to the units in the Fund held prior to the merger. See notes 13 and 15 for the treatment of the interests properties acquired in merger.

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 4 Included in income statement under expenses by function

#### (a) Business operating expenses

		Consolidated		Parent	
		31 December 2008	31 December 2007	31 December 2008	31 December 2007
		\$	\$	\$	\$
Employee costs	4(b)	2,203,521	1,672,458	428,459	205,284
Occupancy costs		107,166	84,392	-	-
Depreciation expenses		33,426	37,690	-	-
Administration expenses		254,254	708,468	100,427	196,750
Total business operating expenses		2,598,367	2,503,008	528,886	402,034

#### (b) Employee costs

	Consolidated		Parent	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	\$	\$	\$	\$
Salaries & wages	1,279,954	1,142,786	-	-
Directors' Fees	355,000	-	355,000	-
(Decrease) / increase in liability for annual leave	(12,001)	(27,156)	-	-
(Decrease) / increase in liability for long service leave	(31,793)	(15,714)	-	-
Contributions to defined contribution superannuation funds	96,840	116,022	-	-
Consultancy fees	479,654	291,946	67,742	205,284
Employee share scheme	5,717	-	5,717	-
Other associated personnel expenses	30,150	164,574	-	-
Total employee costs	2,203,521	1,672,458	428,459	205,284

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 5 Finance income and expense

	Consolidated		Parent	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	\$	\$	\$	\$
Finance income				
Interest income on bank deposits	70,661	134,039	50,789	105,714
Interest income on loans and receivables	297,625	450,027	273,060	450,027
Total finance income	368,286	584,066	323,849	555,741
Finance expense:				
Interest expense on financial liabilities measured at amortised cost	75,172	5,734	5,933	1,313
Total finance expense	75,172	5,734	5,933	1,313
Net finance income and expense	293,114	578,332	317,916	554,428

### 6 Income Tax Expense

#### (a) The components of tax expense comprise:

	Consolidated		Parent	
	31 December 2008	December 31 2007	31 December 2008	December 31 2007
	\$	\$	\$	\$
Current tax	321,742	1,020,610	260,942	1,020,860
Relating to origination and reversal of temporary differences	1,371,937	353,233	1,271,257	340,316
Over/ (under) provision in prior year	(3,826)	(3,826)	(3,825)	(15,637)
Total income tax expense	1,689,853	1,370,017	1,528,374	1,345,539

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 6 Income Tax Expense continued

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

	Consolidated		Parent	
	31 December	31 December	31 December	31 December
	2008	2007	2008	2007
	\$	\$	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2008: 30%)				
- Consolidated entity	1,910,841	1,371,533	1,589,833	1,361,176
Add:				
Tax effect of:				
- Entertainment	3,166	2,137	-	-
- Merger & acquisition expenses	10,718	-	10,718	-
- Other adjustments	-	174	-	-
Less:				
Tax effect of:				
- Costs of raising equity	68,352	-	68,352	-
- Over provision in prior year	-	15,637	3,825	15,637
- Other adjustments	16,520	-	-	-
- Tax losses from subsidiary not previously brought to account	150,000	-	-	-
Income tax attributable to entity	1,689,853	1,358,207	1,528,374	1,345,539

### 7 Cash and Cash Equivalents

	Consolidated		Parent	
	31 December	30 June	31 December	30 June
	2008	2008	2008	2008
	\$	\$	\$	\$
Cash on hand	500	500	-	-
Cash at bank	2,013,152	4,560,503	1,542,071	4,005,001
Total cash and cash equivalents	2,013,652	4,561,003	1,542,071	4,005,001

#### (a) Effective Interest Rate

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

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

(b) Reconciliation of Cash	Consolidated		Parent	
	31 December	30 June	31 December	30 June
	2008	2008	2008	2008
	\$	\$	\$	\$
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	2,013,652	4,561,003	1,542,071	4,005,001
	<u>2,013,652</u>	<u>4,561,003</u>	<u>1,542,071</u>	<u>4,005,001</u>

## 8 Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax	Consolidated		Parent	
	31 December	30 June	31 December	30 June
	2008	2008	2008	2008
	\$	\$	\$	\$
Net income for the period	4,679,618	3,485,492	3,771,070	3,438,801
Non-cash flows in profit				
Depreciation	33,426	76,626	-	-
Impairment of assets	8,528,738	-	8,281,096	-
Net (gain)/loss on disposal of investments	(1,189,465)	(262,165)	62,538	(287,341)
Unrealised (gains)/losses on investments	(12,412,307)	(880,027)	(12,430,358)	(880,027)
Share options issued under employee share scheme	5,717	-	5,717	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	(146,250)	101,100	62,657	(243,228)
(Increase)/decrease in other receivables	3,222	(264,105)	-	(13,737)
(Increase)/decrease in prepayments	11,385	(12,728)	-	-
Increase/(decrease) in trade payables and accruals	(265,273)	426,358	(378,843)	548,677
Increase/(decrease) in income taxes payable	892,922	(114,311)	711,390	(195,026)
Increase/(decrease) in deferred tax balances	201,936	289,247	252,579	274,441
Increase/(decrease) in provisions	(43,968)	16,664	-	-
Cashflow from operations	<u>299,701</u>	<u>2,862,151</u>	<u>337,846</u>	<u>2,642,560</u>

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 9 Trade and Other Receivables

	Consolidated		Parent	
	31 December	30 June	31 December	30 June
	2008	2008	2008	2008
	\$	\$	\$	\$
<b>CURRENT</b>				
Trade receivables	225,906	472,159	180,571	243,228
Deposits	1,480	1,480	-	-
GST receivable	2,826	1,361	-	-
Intercompany tax receivable	-	-	151,312	-
Equity subscriptions receivable	-	686,243	-	686,243
Sundry receivables	59,917	53,183	-	-
Total trade and other receivables	290,129	1,214,426	331,883	929,471

### 10 Financial Assets

#### (a) Current financial assets

	Note	Consolidated		Parent	
		31 December	30 June	31 December	30 June
		2008	2008	2008	2008
		\$	\$	\$	\$
Listed shares	10(c)	569,750	401,252	285,750	401,252
Non-current asset held-for-sale financial assets	10(d)	-	23,566,920	-	23,566,920
Loans and receivables	10(e)	4,724,589	5,660,409	5,372,933	5,729,822
Total current financial assets		5,294,339	29,628,581	5,658,683	29,697,994

#### (b) Non-current financial assets

Other financial assets	10(f)	2,396,636	4,194,000	7,475,636	4,194,000
Shares in controlled entities	10(g)	-	-	15,889,392	1,633,706
Total non-current financial assets		2,396,636	4,194,000	23,365,028	5,827,706

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

Listed securities		569,750	401,252	285,750	401,252
Total held-for-trading financial assets		569,750	401,252	285,750	401,252

Held-for trading financial assets comprise of investments in listed securities. The fair value of the listed financial assets are based on closing bid prices on 31 December 2008 for quoted investments.

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

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

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 10 Financial Assets continued

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

At the full year ended 30 June 2008 the units in the Bakehouse Quarter Fund were classified as Non Current Assets Held-For-Sale. As part of the merger, Pelorus acquired all of the units in the Bakehouse Quarter Fund giving the Group control of the Bakehouse Quarter property. As a consequence, this asset is carried as an Investment Property in the consolidated balance sheet and the interests held prior to the merger have been reclassified from Held-For-Sale to Investment Property (see note 15).

#### (e) Loans and Receivables Comprise:

	Consolidated		Parent	
	31 December 2008	30 June 2008	31 December 2008	30 June 2008
	\$	\$	\$	\$
Loans and receivables to related parties	7,039,064	4,957,306	6,275,391	4,947,421
Loans to non-executive employees	45,099	67,261	-	-
Loans and receivables to non-related party	515,197	406,583	515,197	406,583
Loans and receivables to controlled entity	-	-	1,566,894	375,818
Security deposit against contingent interest payable	252,901	229,259	-	-
Provision for impairment	(3,127,672)	-	(2,984,549)	-
Total loans and receivables	4,724,589	5,660,409	5,372,933	5,729,822

The directors have impaired investment loans, loans to projects and joint ventures to reflect the significant increase in debt market credit margins and the deterioration of sentiment with respect to commercial real estate.

#### (f) Other financial assets

	Consolidated		Parent	
	31 December 2008	30 June 2008	31 December 2008	30 June 2008
	\$	\$	\$	\$
Units in related party unlisted unit trusts	2,293,000	4,094,000	7,372,000	4,094,000
Other financial assets	103,636	100,000	103,636	100,000
Total other financial assets	2,396,636	4,194,000	7,475,636	4,194,000

The units held at 31 December 2008 on the consolidated balance sheet are in the Pelorus Storage Fund.



# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 10 Financial Assets continued

#### (g) Investments in controlled entities:

	Consolidated		Parent	
	31 December 2008	30 June 2008	31 December 2008	30 June 2008
	\$	\$	\$	\$
Shares in controlled entities	-	-	15,889,392	15,889,392
Total investment in controlled entities	-	-	15,889,392	15,889,392

Investment in controlled entities is recorded at cost.

### 11 Investments Accounted for Using the Equity Method

	Note	Consolidated		Parent	
		31 December 2008	30 June 2008	31 December 2008	30 June 2008
		\$	\$	\$	\$
Interest in joint venture entity	12	33,301	33,301	33,301	33,301
Associated companies	12	19,145	18,594	15,000	10,000
Total investments		52,446	51,895	48,301	43,301

### 12 Associated Companies

Interests are held in the following associated companies:

Name	Principal Activities	Country of Incorp- oration	Ownership Interest		Carrying Amount of Investment	
			31 December 2008	30 June 2008	31 December 2008	30 June 2008
			%	%		
					\$	\$
Unlisted:						
Pelorus Storage Advantage Pty Limited	Financial services and management company	Australia	33.00	33.00	10,000	10,000
WT Retail Services (India) Private Limited	Property management company	India	50.00	50.00	33,301	33,301
Trentham City Investments Limited	Shopping centre	New Zealand	40.00	40.00	9,145	8,594

# Pelorus Property Group Ltd and Controlled Entities

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Notes to the Financial Statements

31 December 2008

## 13 Acquisition of subsidiaries

The acquisitions had the following effect on the group's assets and liabilities on acquisition date:

	Recognised values on acquisition \$
Cash and cash equivalents	115,161
Trade and other receivables	22,751
Other financial assets	758,376
Intercompany loans	(2,377,066)
Investment properties	156,935,482
Intangible assets	620
Deferred tax asset	1,170,000
Trade and other payables	(267,176)
Income in advance	(121,440)
Property debt	(87,415,000)
Other financial liabilities	(9,986,000)
Net identifiable assets and liabilities.	<u>58,835,708</u>

	Consideration \$
Planloc Pty Ltd 64,075,758 PPI shares at \$0.20	12,815,152
RASP Investments Pty Ltd	2,500
RASP Investments No.2 Pty Ltd	2,500
Bakehouse Quarter Fund 168,016,242 PPI shares at \$0.20	33,603,248
Total consideration	<u>46,423,400</u>
<b>Gain on acquisition</b>	<u><b>12,412,308</b></u>

	Cash inflow / outflow
<b>Net cash inflow:</b>	
Cash acquired	115,161
Less: payment for share capital	(5,000)
Net cash acquired	<u>110,161</u>

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 13 Acquisition of subsidiaries continued

#### continued

As part of the merger, Pelorus acquired all of the interests it did not already own in the Bakehouse Quarter Fund, all of the issued shares of Planloc Pty Limited and a 50% interest in RASP Investments Pty Ltd and RASP Investments No. 2 Pty Ltd. This gave the consolidated entity control of the Bakehouse Quarter property, a bulky goods retail centre known as 120 Mulgoa Road Penrith and two residential properties providing furnished short-term accommodation to working tourists. These assets are classified as Investment Properties in the consolidated balance sheet.

In recognising the interests acquired in these properties, the directors resolved to write down the value of the portfolio by \$24.7 million to reflect the deteriorating economic conditions and sentiment with respect to commercial real estate. The carrying value calculation of all properties is shown in note 15.

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 14 Property Plant and Equipment

	Consolidated		Parent	
	31 December	30 June	31 December	30 June
	2008	2008	2008	2008
	\$	\$	\$	\$
<b>PLANT AND EQUIPMENT</b>				
Furniture, fixtures and fittings				
At cost	274,017	280,911	-	-
Less accumulated depreciation	(91,897)	(81,538)	-	-
Total furniture, fixtures and fittings	182,120	199,373	-	-
Office equipment				
At cost	227,788	278,236	-	-
Less accumulated depreciation	(133,005)	(172,849)	-	-
Total office equipment	94,783	105,387	-	-
Total property, plant and equipment	276,903	304,760	-	-

#### (a) Movements in Carrying Amounts

##### Consolidated

	Furniture, Fixtures and Fittings	Office Equipment	Total
	\$	\$	\$
<b>Current Period</b>			
Balance at the beginning of period	199,373	105,387	304,760
Additions	1,600	3,969	5,569
Depreciation expense	(18,855)	(14,571)	(33,426)
Balance at 31 December 2008	182,118	94,785	276,903
<b>30 June 2008</b>			
Balance at the beginning of year	187,327	126,159	313,486
Additions	56,007	40,311	96,318
Disposals	(5,455)	(22,961)	(28,416)
Depreciation expense	(38,506)	(38,122)	(76,628)
Carrying amount at the end of year	199,373	105,387	304,760

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 15 Investment Properties and Property Debt

	Bakehouse Quarter	Penrith	Bondi	Surry Hills	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Most recent valuation	177,250	20,670	973	1,244	200,137
Market deterioration impairments	(23,600)	(1,170)	-	-	(24,770)
Investment property fair value	153,650	19,500	973	1,244	175,367
Property debt	(75,500)	(10,500)	(610)	(805)	(87,415)
Net property equity	78,150	9,000	363	439	87,952
Loan to value ratio	49.1%	53.8%	62.7%	64.7%	49.8%

As part of the merger, Pelorus acquired all of the units in the Bakehouse Quarter Fund giving the Group control of the Bakehouse Quarter property. As a consequence this asset is carried as an Investment Property in the consolidated balance sheet.

The Penrith property is a bulky goods retail centre known as 120 Mulgoa Road Penrith. Bondi and Surry Hills are two residential properties providing furnished short-term accommodation to working tourists.

The debt secured against Investment Properties is held in five separate facilities with Australian financial institutions. Two of these facilities (to different trading banks) drawn to a total of \$46 million have terms of less than 12 months remaining. Management are in discussions with the relevant banks and expect these facilities to be extended on satisfactory terms.

### 16 Intangible Assets

	Consolidated		Parent	
	31 December 2008	30 June 2008	31 December 2008	30 June 2008
	\$	\$	\$	\$
Goodwill				
Goodwill on consolidation	1,573,631	1,544,729	-	-
Net carrying value	1,573,631	1,544,729	-	-
Development costs				
At cost	620	37,999	-	29,404
Net carrying value	620	37,999	-	29,404
Total Intangibles	1,574,251	1,582,728	-	29,404

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

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 17 Prepayments

	Consolidated		Parent	
	31 December	30 June	31 December	30 June
	2008	2008	2008	2008
	\$	\$	\$	\$
CURRENT				
Prepayments	9,488	20,873	-	-
Total prepayments	9,488	20,873	-	-

### 18 Trade and Other Payables

	Consolidated		Parent	
	31 December	30 June	31 December	30 June
	2008	2008	2008	2008
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Trade payables	783,647	1,008,920	242,201	612,843
Intercompany tax payable	-	-	-	42,800
Deposits	58,937	-	-	-
Sundry payables and accrued expenses	92,940	59,269	55,000	659
Dividends payable	-	120,347	-	120,347
Total trade and other payables	935,524	1,188,536	297,201	776,649

### 19 Financial Liabilities

#### Other liabilities

	Consolidated		Parent	
	31 December	30 June	31 December	30 June
	2008	2008	2008	2008
	\$	\$	\$	\$
NON-CURRENT				
Unsecured liabilities				
Interest rate hedge	3,981,000	-	3,400,000	-
Outside minority interest in Pelorus Penrith Fund No.2	921,000	-	-	-
Total other liabilities	4,902,000	-	3,400,000	-

The interest rate hedge liabilities represent the mark to market valuations of hedges in place at 31 December 2008 with respect to property debt held over the Penrith and Bakehouse Quarter properties.

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 20 Provisions

	Employee entitlements	Total
	\$	\$
Opening balance at 1 July 2008	170,298	170,298
Additional provisions	69,666	69,666
Amounts used	(113,634)	(113,634)
Balance at 31 December 2008	126,330	126,330

#### (a) Analysis of Total Provisions

	Consolidated		Parent	
	31 December 2008	30 June 2008	31 December 2008	30 June 2008
	\$	\$	\$	\$
Current	126,330	138,505	-	-
Non current	-	31,793	-	-
Total provisions	126,330	170,298	-	-

The number of employees for the Group as at 31 December 2008 is 22 (30 June 2008:28).

### 21 Tax

	Consolidated		Parent	
	31 December 2008	30 June 2008	31 December 2008	30 June 2008
	\$	\$	\$	\$
<b>CURRENT</b>				
Income tax payable/ (receivable)	24,935	302,013	(92,223)	215,067
Total current tax liabilities	24,935	302,013	(92,223)	215,067
<b>NON-CURRENT</b>				
Deferred tax balance comprises:				
Fair value adjustments	3,746,428	1,435,686	3,762,000	1,435,686
Unearned income	15,572	-	-	-
Asset impairment provisions	(1,091,239)	-	(1,053,745)	-
Employee entitlements	(44,501)	(31,363)	-	-
Interest rate hedge	(1,020,000)	-	(1,020,000)	-
Total non-current tax liabilities	1,606,260	1,404,323	1,688,255	1,435,686



# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 22 Issued Capital

#### (a) Summary Table

	Consolidated		Parent	
	31 December 2008 \$	30 June 2008 \$	31 December 2008 \$	30 June 2008 \$
361,703,893 (30 June 2008: 113,649,724) Ordinary	84,021,890	34,961,702	84,021,890	34,961,702
Total issued capital	84,021,890	34,961,702	84,021,890	34,961,702

#### (b) Movement in shares on issue

	Consolidated		Parent	
	31 December 2008 No.	30 June 2008 No.	31 December 2008 No.	30 June 2008 No.
At the beginning of reporting period	113,649,724	107,650,320	113,649,724	107,650,320
Shares issued during the year:				
Employee Share Scheme	195,729	-	195,729	-
Dividend Reinvestment Plan	-	1,668,143	-	1,668,143
Issued for acquisition of Bakehouse Quarter Fund units	168,016,256	364,590	168,016,256	364,590
Issued for acquisition of Planloc Pty Ltd shares	64,075,758	-	64,075,758	-
Issued for acquisition of Pelorus Storage Fund units	9,035,000	-	9,035,000	-
Issued for acquisition of Pelorus Penrith Fund No. 2 units	4,925,000	-	4,925,000	-
Pro-rata issue for Directors and Shareholders shortfall shares	1,806,426	3,966,671	1,806,426	3,966,671
At reporting date	361,703,893	113,649,724	361,703,893	113,649,724

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

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

# Pelorus Property Group Ltd and Controlled Entities

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Notes to the Financial Statements

31 December 2008

## 23 Dividends

### (a) Dividends and distributions paid table

Distributions paid

	Consolidated		Parent	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	\$	\$	\$	\$
Payment of final fully franked ordinary dividend of 2 cents per share	-	2,160,297	-	2,160,297
Total distributions	-	2,160,297	-	2,160,297

### (b) Balance of franking account

	Consolidated		Parent	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	\$	\$	\$	\$
<b>The amount of franking credits available for the subsequent financial year are:</b>				
- franking account balance as at the end of the period at 30% (2007: 30%)	11,380	(222,430)	11,380	(222,430)
- franking credits from franked dividends	2,295	-	2,295	-
- franking credits that will arise from the payment of income tax payable	24,935	860,041	24,935	860,041
Total franking account balance	38,610	637,611	38,610	637,611

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 24 Auditors' Remuneration

	Consolidated		Parent	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
- Auditing or reviewing the financial report	45,000	35,000	45,000	35,000
- Auditing or reviewing the financial report of the Managed Investment Schemes for whom Pelorus acts as Responsible Entity	23,400	16,500	23,400	16,500
- Taxation services	14,000	11,000	14,000	11,000
- Other services	6,600	5,335	6,600	5,335
Total auditors' remuneration	89,000	67,835	89,000	67,835

### 25 Capital and Leasing Commitments

#### Operating Lease Commitments

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

	Consolidated		Parent	
	31 December 2008	30 June 2008	31 December 2008	30 June 2008
	\$	\$	\$	\$
Payable - minimum lease payments				
- not later than 12 months	186,960	186,960	-	-
Total operating lease commitments	186,960	186,960	-	-

#### Capital Commitments

There are no capital commitments as at 31 December 2008 (30 June 2008: Nil).

### 26 Contingent Liabilities and Contingent Assets

In respect of HBOS senior debt facilities provided to the Trentham City, Wellington New Zealand shopping centre for which Pelorus Management (NZ) Limited has an equity interest and acts as property and asset manager. The owners including Pelorus Management (NZ) Limited have provided a cash deposit totaling NZD\$745,000 to cover any shortfall in interest payable on the senior debt facilities for an initial term of 12 months. Pelorus Management (NZ) Limited's share of this cash deposit amounts to NZD\$280,000. The cash deposit is shown as an asset in the financial statements at Note 10(e) 'Loans and Receivables'.

# Pelorus Property Group Ltd and Controlled Entities

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Notes to the Financial Statements

31 December 2008

## 27 Events After the Balance Sheet Date

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

## 28 Controlled Entities

Name	Country of incorporation	Percentage Owned 31 December 2008	Percentage Owned 30 June 2008
<b>Parent Entity:</b>			
Pelorus Property Group Ltd	Australia		
<b>Subsidiaries of parent entity:</b>			
Wynn Tresidder Management Pty Limited	Australia	100	100
DDT Projects Pty Limited	Australia	100	100
Capital Storage Services Pty Ltd	Australia	51	51
Pelorus Management (NZ) Limited	New Zealand	100	100
WRV Pty Limited *	Australia	100	100
Planloc Pty Ltd	Australia	100	-
RASP Investments Pty Ltd	Australia	50	-
RASP Investments No. 2 Pty Ltd	Australia	50	-
Bakehouse Quarter Fund	Australia	100	25

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

# Pelorus Property Group Ltd and Controlled Entities

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## Notes to the Financial Statements

31 December 2008

### 29 Related party transactions

#### (a) Detailed table

	Consolidated		Parent	
	31 December	31 December	31 December	31 December
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Management fees received</b>				
Kirela Pty Ltd (Bakehouse Quarter Fund)	1,177,316	1,195,901	436,010	1,195,901
JPS Properties Pty Ltd	39,654	15,472	-	-
Mosman Branch Pty Ltd	7,942	6,511	-	-
Alerik Pty Ltd	121,572	55,375	36,500	55,375
Claremont Street Pty Ltd	-	63,606	-	-
Planloc Pty Ltd (Pelorus Penrith Fund No 2)	59,999	442,474	44,749	442,474
Capital Storage Services Pty Ltd (Pelorus Storage Fund)	-	10,433	-	-
Trentham City Investments Limited	404,493	-	-	-
Pelorus Storage Advantage Pty Ltd	442	-	-	-
WRV Pty Limited (WRV Unit Trust)	50,152	2,282,060	16,250	2,282,060
Seph Glew	6,665	-	-	-
Paul Tresidder	1,279	-	-	-
Robin Tedder	495	-	-	-
<b>Total</b>	<b>1,870,009</b>	<b>4,071,832</b>	<b>533,509</b>	<b>3,975,810</b>
<b>Rent paid</b>				
JPS Properties Pty Ltd	104,280	84,392	-	-
<b>Total</b>	<b>104,280</b>	<b>84,392</b>	<b>-</b>	<b>-</b>
<b>Consultancy fees paid</b>				
Frogstorm Pty Ltd	23,500	140,998	23,500	-
Castle Bay Pty Ltd	44,242	64,286	44,242	-
Seno Management Pty Ltd	180,000	-	180,000	-
Lymkeesh Pty Ltd	120,000	-	120,000	-
Hillandip Pty Ltd	27,500	-	22,500	-
Koonta Pty Ltd	27,500	-	22,500	-
Kokoda Pty Ltd **	90,000	-	-	-
<b>Total</b>	<b>512,742</b>	<b>205,284</b>	<b>412,742</b>	<b>-</b>

\*\* Consultancy fees were paid by WT Retail Services (India) Private Ltd.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

31 December 2008

## 29 Related party transactions continued

### (a) Detailed table continued

	Consolidated		Parent	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	\$	\$	\$	\$
<b>Interest received</b>				
Frogstorm Pty Ltd	11,559	9,688	-	9,688
Planloc Pty Ltd	21,705	197,637	21,705	197,637
Old Bear Pty Ltd	9,916	7,507	-	7,507
Kirela Pty Ltd	-	27,011	-	27,011
Pelorus Storage Fund	-	82,997	-	82,997
WRV Unit Trust	227,741	118,898	227,741	118,898
JPS Properties Pty Ltd	-	6,289	-	6,289
<b>Total</b>	<b>270,921</b>	<b>450,027</b>	<b>249,446</b>	<b>450,027</b>
<b>Loans to related parties:</b>				
Trentham City Investments Limited	289,297	-	-	-
Kirela Pty Ltd	-	500,000	-	500,000
Old Bear Pty Ltd	224,375	196,548	-	196,548
Frogstorm Pty Ltd	250,000	250,000	-	250,000
WRV Unit Trust	5,806,842	4,700,000	5,806,842	4,700,000
WT Retail Services (India) Private Ltd	468,549	-	468,549	-
Pelorus Storage Advantage Pty Ltd	-	5,000	-	5,000
<b>Total</b>	<b>7,039,063</b>	<b>5,651,548</b>	<b>6,275,391</b>	<b>5,651,548</b>
<b>Loans from related parties</b>				
Pelorus Penrith Fund No.2	921,000	-	-	-
<b>Total</b>	<b>921,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Distributions received</b>				
Bakehouse Quarter Fund	735,000	-	608,455	-
Pelorus Storage Fund	51,593	-	51,593	-
Pelorus Penrith Fund No. 2	162,958	-	162,958	-
<b>Total</b>	<b>949,551</b>	<b>-</b>	<b>823,006</b>	<b>-</b>
<b>Interest paid</b>				
Pelorus Penrith Fund No. 2	20,147	-	-	-
<b>Total</b>	<b>20,147</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

31 December 2008

## 29 Related party transactions continued

### (b) Identification of Related Parties

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



# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

31 December 2008

## 29 Related party transactions continued

### (b) Identification of Related Parties continued

<u>Name</u>	<u>Entity Type</u>	<u>Directors</u>	<u>Legal/ Beneficial Interest Before merger</u>	<u>Legal/ Beneficial Interest Post merger</u>
WRV Unit Trust:	Trust	-	Seph Glew, Paul Tresidder, Stuart Brown, Robin Tedder	Seph Glew, Paul Tresidder, Stuart Brown, Robin Tedder
Trentham City Investments Ltd:	NZ Company	Seph Glew, Stuart Brown	Pelorus Management (NZ) Limited	Pelorus Management (NZ) Limited
WT Retail Services (India) Private Ltd:	Indian Company	Guy Wynn, Paul Tresidder	Pelorus Property Group Limited	Pelorus Property Group Ltd
Pelorus Storage Advantage Pty Ltd:	Company	Stuart Brown	Pelorus Property Group Limited	Pelorus Property Group Ltd
Jagar Property Consultants Pty Ltd	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder
Jagar Holdings Pty Ltd	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder
PRSC Pty Ltd	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder
Hollia Pty Ltd	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder
RASP Investments Pty Ltd	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder	Pelorus Property Group Ltd
RASP Investments No. 2 Pty Ltd	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder	Pelorus Property Group Ltd
Penrith Unit Trust	Trust	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder
Kirela Development Unit Trust	Trust	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder, Stuart Brown, Robin Tedder, Richard Hill, Guy Wynn	Seph Glew, Paul Tresidder
Bakehouse Cellars Pty Ltd	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder, Richard Hill	Pelorus Property Group Ltd
Kokoda Pty Ltd	Company	Guy Wynn	Guy Wynn	Guy Wynn
Lymkeesh Pty Ltd	Company	Paul Tresidder	Paul Tresidder	Paul Tresidder
Ms JA Glew	Individual	<u>Related Directors</u> Seph Glew		
Ms SM Glew	Individual			

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

31 December 2008

## 29 Related party transactions continued

### (c) Beneficial Holdings

The direct, indirect and beneficial holding of directors and their director-related entities in the share and share options of the Company as at 31 December 2008 is:

Shares: 188,342,778 (30 June 2008: 52,472,991) Ordinary shares

Refer Note 32(a) for further details.

### (d) Property management and leasing fees received

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

### (e) Funds management fees

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

### (f) Rental expenses

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

Wynn Tresidder Serviced Offices paid rental expenses of \$116,883 to JPS Properties Pty Ltd during the period. This rental expense is fully recovered from unrelated tenants and as such does not form part of occupancy costs.

### (g) Consultancy fees

The Group has entered into consultancy arrangements with entities associated with Stuart Brown, Seph Glew, Paul Tresidder, Richard Hill, Robin Tedder and Guy Wynn. The fees charged are subject to consultancy agreements and rate charged are determined with reference to arm's length commercial rates.

### (h) Loans to / from related parties

#### WRV Pty Ltd ATF WRV Unit Trust

\$5,806,842 is loaned to WRV Pty Ltd ATF WRV Unit Trust. The loan is secured by a registered caveat over real property and the Company has an irrevocable right to increase the senior debt in order to recover the loan. Interest is charged at the rate of the Bank Bill Swap Rate plus a margin of 0.63% per annum.

#### Old Bear Pty Ltd and Frogstorm Pty Ltd

These loans are secured by shares in Pelorus Property Group Ltd and interest is currently charged at 9% per annum.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

31 December 2008

## 29 Related party transactions continued

### (h) Loans to / from related parties continued

#### Planloc Pty Ltd

Pelorus Penrith Fund No 2 holds a PIPES mortgage secured over 120 Mulgoa Rd, Penrith. 921,000 of the units in the Fund are held by investors other than Pelorus Property Group Limited. They are disclosed as liability to other unitholders in the Fund on the balance sheet of the Group. Interest is payable under the mortgage at a rate of 8.75% per annum.

### (i) Other related party transactions

- \* Mosman Branch Pty Ltd purchased PRSC Pty Ltd from Planloc Pty Ltd for consideration of \$2,581,059.20.
- \* Kirela Pty Ltd purchased Jagar Property Consultants Pty Ltd from Planloc Pty Ltd for consideration of \$6,020,945.20.
- \* Pelorus Property Group Pty Ltd purchased Planloc Pty Ltd from Holia Pty Ltd and Jagar Holdings Pty Ltd for the issue of 64,075,758 Pelorus Property Group Pty Ltd shares.
- \* Pelorus Property Group Pty Ltd purchased 50% of RASP Investments Pty Ltd & RASP Investments No 2 Pty Ltd for \$2,500 each from PRSC Pty Ltd.
- \* Pelorus Property Group Pty Ltd purchased 11,587,327 units in the Bakehouse Quarter Fund for the issue of 168,016,256 Pelorus Property Group Ltd shares.
- \* Pelorus Property Group Ltd purchased 985,000 units in the Pelorus Penrith Fund No. 2 for the issue of 4,925,000 Pelorus Property Group Ltd shares.
- \* Pelorus Property Group Ltd purchased 1,972,000 units in the Pelorus Storage Fund for the issue of 9,860,000 Pelorus Property Group Ltd shares.
- \* Pelorus Property Group Ltd purchased 321,000 units in the Pelorus Storage Fund from Planloc Pty Ltd for \$321,000.
- \* The Bakehouse Quarter Fund purchased Bakehouse Cellars Pty Ltd for \$15,000.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

31 December 2008

### 30 Directors' options

Directors related entities have relevant interests in options over shares in the Company as set out below. The options that existed at 30 June 2008 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. The additional options granted in the half year to 31 December 2008 have the following terms:

- Each option entitles the option holder to convert the Option into 1 fully paid Ordinary Share in the capital of the Company.
- Options may be exercised at any time after the third anniversary of the date of issue of the Options which was 28 November 2008.
- The Options expire 5 years from the date of issue.
- The exercise price will be at \$0.60 on the date which is the third anniversary from the date of issue of the Options. The exercise price will increase by 0.75 of a cent each 3 monthly period thereafter until the Options expire.
- The share price on the date of issue was \$0.17.

	Balance 1/07/2008	Net change **	Balance 31 /12/2008
	No.	No.	No.
Seph Glew	2,660,000	5,000,000	7,660,000
Guy Wynn	1,400,000	2,500,000	3,900,000
Stuart Brown	600,000	5,000,000	5,600,000
Paul Tresidder	2,220,000	2,500,000	4,720,000
Robin Tedder	1,000,000	1,500,000	2,500,000
Richard Hill	-	500,000	500,000
Total	<u>7,880,000</u>	<u>17,000,000</u>	<u>24,880,000</u>

\*\* Additional options were issued to the directors in accordance with approval of shareholders at the Annual General Meeting on 28 November 2008.

### 31 Issue of shortfall shares

The Group issued shortfall shares under 4 June 2008 pro rate offer to the following related parties:

	No. of shares
Frogstorm Pty Ltd	8,929
Ms J A Glew	8,929
Ms S M Glew	8,929
Jagar Property Consultants Pty Ltd	210,817
Koonta Pty Ltd	369,656
Seno Management Pty Ltd	438,139
Total	<u>1,045,399</u>

# Pelorus Property Group Ltd and Controlled Entities

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Notes to the Financial Statements

31 December 2008

## 32 Directors and Key Management Personnel

### (a) Directors' relevant interests

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

	Balance 1/07/2008	Options Exercised	Net Change Other*	Balance 31/12/2008
Seph Glew	16,997,009	-	54,819,522	71,816,531
Guy Wynn	8,566,201	-	72,450	8,638,651
Stuart Brown	3,915,286	-	1,151,368	5,066,654
	16,637,804	-	52,665,592	69,303,396
Robin Tedder	6,356,691	-	10,893,998	17,250,689
	-	-	16,266,857	16,266,857
<b>Total shareholding</b>	<b>52,472,991</b>	<b>-</b>	<b>135,869,787</b>	<b>188,342,778</b>

\* Net Change Other refers to changes in relevant interests in shares during the financial half-year including changes as a result of the merger.

### (b) Key Management Personnel Compensation

31 December  
2008

	Short-term benefits			Post employment benefits		Total
	Consultancy fees	Directors Fees	Salary and Other	Super-annuation	Options	
	\$	\$	\$	\$	\$	\$
Guy Wynn	134,242	-	-	-	1,750	135,992
Stuart Brown	23,500	-	107,798	9,702	3,500	144,500
Robin Tedder	-	27,500	-	-	1,050	28,550
Richard Hill	-	27,500	-	-	350	27,850
Paul Tresidder	-	120,000	-	-	1,750	121,750
Seph Glew	-	180,000	-	-	3,500	183,500
	<b>157,742</b>	<b>355,000</b>	<b>107,798</b>	<b>9,702</b>	<b>11,900</b>	<b>642,142</b>

\$90,000 of Guy Wynn's fees paid in India by WT Services (India) Private Limited.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

31 December 2008

### 32 Directors and Key Management Personnel continued

#### (b) Key Management Personnel Compensation continued

Options valued at \$0.0007 per option under the Black Scholes and binomial valuation methods.

Material terms of the options:

- Each option entitles the option holder to convert the Option into 1 fully paid Ordinary Share in the capital of the company.
- Options may be exercised at any time after the third anniversary of the date of issue of the Options which was 28 November 2008.
- The Options expire 5 years from the date of issue.
- The exercise price will be at \$0.60 on the date which is the third anniversary from the date of issue of the Options. The exercise price will increase by 0.75 of a cent each 3 monthly period thereafter until the Options expire.
- The share price on the date of issue was \$0.17.

31 December 2007	Short-term benefits			Post employment benefits		Total
	Cash, salary & consultancy fees	Directors Fees	Salary and Other	Super-annuation	Options	
	\$	\$	\$	\$	\$	
Guy Wynn	164,285	-	-	-	-	164,285
Stuart Brown	140,998	-	-	-	-	140,998
	305,283	-	-	-	-	305,283

\$100,000 of Guy Wynn's fees paid in India By WT Services (India) Private Limited.

### 33 Financial Instruments

#### (a) Financial Risk Management

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

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

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

31 December 2008

### 33 Financial Instruments continued

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors and senior management set appropriate risk limits and controls, and monitor risks and adherence to limits. Changes in market conditions and the Company's and Group's activities are monitored with respect to the Group's risk profile. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### (b) Interest rate risk

The Group has exposure to market risk for changes in interest rates. The Group undertakes hedging strategies to mitigate this risk on its Property Debt.

#### (c) Price Risk

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

#### (d) Credit Risk

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

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

The Group has credit risk exposure to related parties loan receivables and investments in related and unrelated property structures under financial instruments and contractual arrangements entered into by the Group.

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



# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

31 December 2008

## 33 Financial Instruments continued

### (e) Exposure to credit risk

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

	Consolidated		Parent	
	31 December 2008	30 June 2008	31 December 2008	30 June 2008
	\$	\$	\$	\$
Other financial assets	2,396,636	4,194,000	7,475,636	4,194,000
Loans and receivables	4,724,589	5,660,409	5,372,933	5,729,822
Held-for-trading financial assets	569,750	401,252	285,750	401,252
Non-current assets held-for- sale	-	23,566,920	-	-
Cash and cash equivalents	2,013,652	4,561,003	1,542,071	4,005,001
Trade receivables	225,906	472,159	180,571	243,228
	<u>9,930,533</u>	<u>38,855,743</u>	<u>14,856,961</u>	<u>14,573,303</u>

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

31 December 2008

## 33 Financial Instruments continued

### (f) Fair values

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

	Consolidated				Parent			
	December 31 2008		30 June 2008		December 31 2008		30 June 2008	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Financial assets</b>								
Cash	2,013,652	2,013,652	4,561,003	4,561,003	1,542,071	1,542,701	4,005,001	4,005,001
Trade receivables	225,906	225,906	472,159	472,159	180,571	180,571	243,228	243,228
Loans receivables	4,724,589	4,724,589	5,660,409	5,660,409	5,372,933	5,372,933	5,729,822	5,729,822
Held for trading financial assets	569,750	569,750	401,252	401,252	285,750	285,750	401,252	401,252
Non-current assets held-for-sale	-	-	23,566,920	23,566,920	-	-	23,566,920	23,566,920
Other financial assets	2,396,636	2,396,636	4,194,000	4,194,000	7,475,636	7,475,636	4,194,000	4,194,000
<b>Financial liabilities</b>								
Trade payables	783,647	783,647	1,008,920	1,008,920	242,201	242,201	612,843	612,843
Other financial liabilities	4,902,000	4,902,000	-	-	3,400,000	3,400,000	-	-
<b>Secured bank loans</b>								
Property debt	87,415,000	87,415,000	-	-	75,500,000	75,500,000	-	-
<b>Total</b>	103,031,180	103,031,180	39,864,663	39,864,663	93,999,162	93,999,792	38,753,066	38,753,066

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

31 December 2008

## 33 Financial Instruments continued

### (g) Interest Rate Risk

The Group'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 to 5 Years				Non-interest Bearing				Total	
			31		31		31		31		31		31		31	
			December	30 June	December	30 June	December	30 June	December	30 June	December	30 June	December	30 June	December	30 June
	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008
	%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial Assets:</b>																
Cash and cash equivalents	2.25	5.50	2,013,652	4,561,003	-	-	-	-	-	-	-	-	-	-	2,013,652	4,561,003
Trade receivables	-	-	-	-	-	-	-	-	-	-	225,906	472,159	-	-	225,906	472,159
Loan and receivables	7.50	8.10	-	-	4,724,589	5,660,409	-	-	-	-	-	-	-	-	4,724,589	5,660,409
<b>Total Financial Assets</b>			2,013,652	4,561,003	4,724,589	5,660,409	-	-	225,906	472,159	6,964,147	10,693,571				
<b>Financial Liabilities:</b>																
Other financial liabilities	-	-	-	-	-	-	-	-	3,981,000	921,000	-	-	-	-	4,902,000	-
Property debt	6.40	-	87,415,000	-	-	-	-	-	-	-	-	-	-	-	87,415,000	-
Trade payables	-	-	-	-	-	-	-	-	-	-	783,647	1,008,920	-	-	783,647	1,008,920
<b>Total Financial Liabilities</b>			87,415,000	-	-	-	-	-	3,981,000	1,704,647	1,008,920	93,100,647	1,008,920			

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

31 December 2008

## 34 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