PELORUS PROPERTY GROUP

26 February 2010

RESULTS FOR THE HALF YEAR TO DECEMBER 2009

Pelorus Property Group announces a pre-tax profit of $3.1 million for the half year to December 2009.

Pelorus is a vertically integrated property investment and funds management business. We generate fee income through property fund and asset management operations. In addition we derive property revenue and development returns from income producing real estate held on balance sheet. Collectively we refer to these property positions as Controlled Assets. Our aim is to grow Controlled Assets through:

- The acquisition of property funds management businesses;
- The aggregation of unlisted property security holdings;
- Working with distressed real estate and real estate structures; and
- Conventional property syndication, investment and development.

The key features of the result and our future operations are set out below.

Controlled Assets

	December 2008	Current
Total Controlled Assets	$250,069,000	$459,302,000
Breakdown:		
On Balance Sheet	$175,367,000	$191,600,000
Funds Management Assets	$74,702,000	$267,702,000

Segment Pre-Tax Profit

	December 2008	December 2009	Change (%)
Consolidated Underlying Earnings*	$1,295,000	$1,764,000	36%
Breakdown:			
Fund & Asset Management	$842,000	$1,433,000**	70%
Investments*	$991,000	$1,024,000	3%
Corporate Costs	($538,000)	($693,000)	29%

**Normalised to exclude non-recurring asset/liability revaluations. **Tankstream revenue from 1 October 2009 only.*

Property Carrying Values (On-Balance Sheet)

	December 2008	December 2009
Gross Property Value	$175,367,000	$191,600,000
Debt*	($87,415,000)	($97,415,000)
Net Property Equity	$87,952,000	$94,185,000
Loan to Value Ratio	49.8%	50.8%
Current Weighted Average Term to Maturity		2.7 years
Current Weighted Average Total Debt Cost**		6.28%

**All debt is limited recourse to the relevant property assets. ** Assuming current variable rate of 4.0% and interest rate hedges.*

Funds & Asset Management

Notwithstanding the issues facing unlisted property trusts over the coming 18 months, with Australia's compulsory superannuation and low unemployment, Pelorus sees the business case for property funds management as compelling. We feel, however, property funds management businesses should be actively engaged in property operations rather than simply passive allocators of capital.

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We are pursuing more acquisitions of both stable and distressed funds management mandates and expect this to be a significant contributor to our operations in the future.

Pelorus Property Trust

The Pelorus Property Trust (PPT) is a main focus of our funds management strategy. This trust came under Pelorus control when the Group acquired Tankstream Funds Management in October 2009. Since taking over the fund Pelorus has grown its balance sheet from gross assets of $16.0 million to $28 million and repositioned its strategy in preparation for listing on the ASX. We expect gross assets to be over $120 million when the trust lists.

PPT aims to aggregate the fractional unlisted property investments held by retail investors and property securities funds. The strategy is to grow its holdings in unlisted property trusts to a position of influence or control and participate in their rationalisation.

Part of this strategy has seen the trust make offers to a number of unlisted structures including offers to unitholders in 16 Centro MCS syndicates. Following a regulatory review of these offers instigated by Centro a stop order was issued. Pelorus is considering appealing the decision but none the less is reissuing new offer documentation to facilitate investors that responded to the original offers.

In addition PPT is working on a number of opportunities with larger trusts holding common property securities. Details on transactions PPT has completed will be announced to the market over the coming weeks.

RP Trust

Pelorus took over management of the RP Trust (formerly Reed Property Trust) when it acquired RFML Limited in June 2009. At the time Pelorus took control of the Trust it had significant debt issues with gearing of more than 80% of gross asset values. Pelorus has sold two assets (which were viewed as non-core) and structured an off balance sheet capital raising over a further asset. The proceeds from these transactions have been used to down pay debt and we are confident that by the next debt review date (on 31 March 2010) the trust's facilities will be within covenants. In addition we are working up proposals to reconfigure two of the trust's commercial assets to accommodate tenant expansion and increase income.

The RP Trust is an example of our funds management strategy. We are confident that we have been able to address the trust's issues and now have just over $120 million of assets that the Pelorus group will control in perpetuity. In addition our work with the trust has established new relationships with significant financial planning groups which should grow future distribution capacity.

Property Development and Investment

Pelorus continues to grow the Bakehouse Quarter project. We are pursuing a Part 3A town planning application with the State Government planning department and the project also falls within the new Local Environment Plan to be exhibited by Canada Bay Council. Whilst the outcome of these processes is not certain they add weight to our view that the site will ultimately grow to a significant precinct with over 100,000 sqm of commercial, retail and entertainment uses. Attached to this announcement is a schematic representation of the Bakehouse Quarter when fully developed.

In addition Pelorus is actively growing its two other significant balance sheet assets, The Woods @ Villawood (The Woods) and 120 Mulgoa Road Penrith (Penrith). When purchased by the Group The Woods was a substantially vacant bulky goods centre. Pelorus is currently completing building works to accommodate a rock climbing gym and go-kart track to complement the already trading AMF Bowling Centre and Wiggles Play Land.

Penrith is a bulky goods retail centre the Group developed in the late 1990's. Although this is a relatively mature project we are working on a proposals to expand two of the tenants trading areas.

Group Structure

The board is currently reviewing the Group's structure in the context of its current and future activities. Specifically we are reviewing whether it is appropriate for development assets and more particularly the debt they carry to be held on balance sheet. The board will advise the outcome of this review over the coming months.

Dividend Reinstatement

Pelorus' directors are committed to the reinstatement of dividends while balancing the need to preserve cash to fund growth opportunities. Pelorus is reviewing the reinstatement of dividends and will announce details in the coming weeks.

Please contact Seph Glew or Stuart Brown with any questions.

Seph Glew
Executive Chairman
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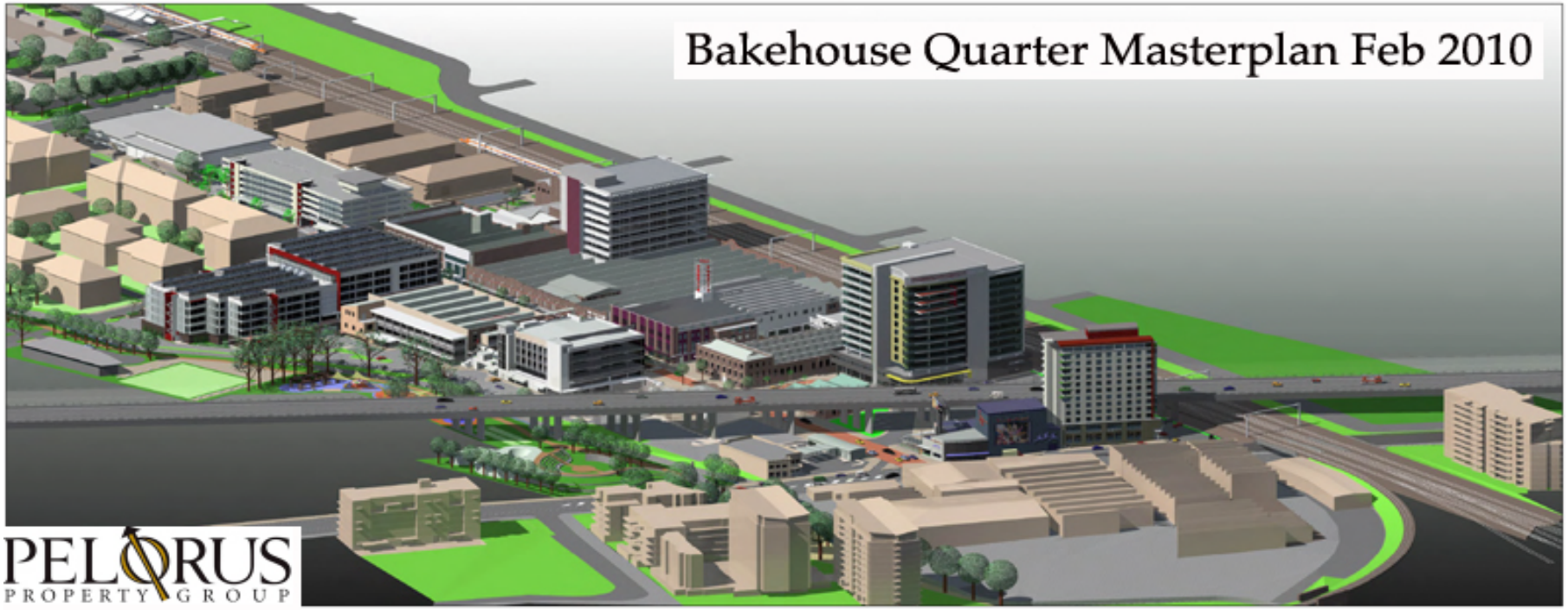
Stuart Brown
Managing Director
+612 9033 8608


Bakehouse Quarter "As Is"


Bakehouse Quarter Masterplan Feb 2010
PELORUS
PROPERTY GROUP

APPENDIX 4D
HALF-YEAR ENDED 31 DECEMBER 2009
Previous Corresponding Period - Half Year Ended 31 December 2008

PELORUS PROPERTY GROUP

RESULTS FOR ANNOUNCEMENT TO MARKET

SUMMARY

For the six months ending	31-Dec-09	31-Dec-08	Change	Change %
Revenue	$11,269,778	$17,709,320	($6,439,542)	-36%
Pre Tax Profit	$3,093,098	$6,369,471	($3,276,373)	-51%
Net Profit after tax attributable to members	$2,048,448	$4,678,758	($2,630,310)	-56%

EXPLANATION OF RESULTS

A detailed explanation of the results for the period ended 31 December 2009 is contained in the ASX/Media Announcement accompanying this report. During the period ended 31 December 2008 the Group merged with a number of its subsidiaries. As a consequence of the merger a like for like comparison of the result with the previous corresponding period is not relevant. Please refer to the ASX/Media Announcement accompanying this report for a normalised comparison.

DIVIDENDS

Please see the ASX/Media Announcement accompanying this report.

NET TANGIBLE ASSET VALUE PER SHARE

	31-Dec-09	31-Dec-08	Change	Change %
NTA per share	$0.26	$0.26	$0.00	0%

CONTROLLED ENTITY CHANGES

Entity	Date Control Gained
Tankstream Funds Management Limited (see Note 4)	1-Oct-09

ASSOCIATES AND JOINT VENTURE ENTITIES

Entity	Percentage Owned
Pelorus Storage Advantage Pty Limited	33%
WT Retail Services (India) Private Limited	50%
Trentham City Investments Limited	40%
Pelathon Management Group Pty Ltd (see Note 3)	40%

The results and net assets of the associates and joint venture entities have not been consolidated in the results, and their results and net assets are immaterial to the group.

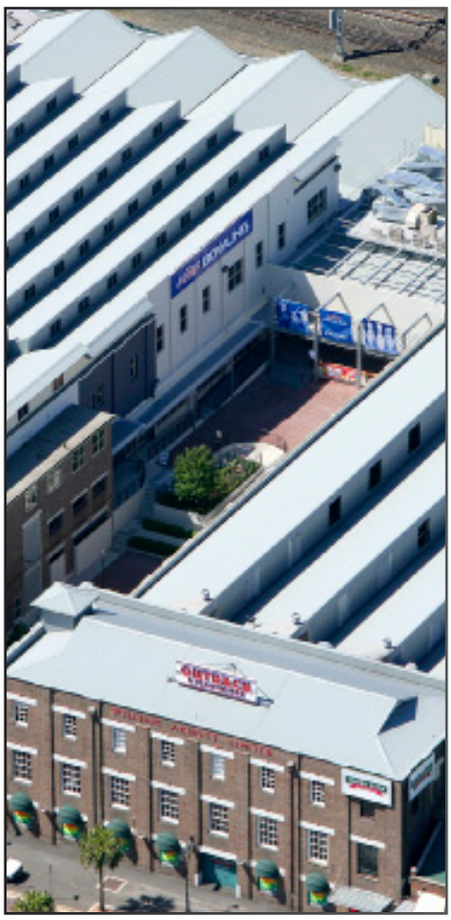
STATEMENT ON AUDIT

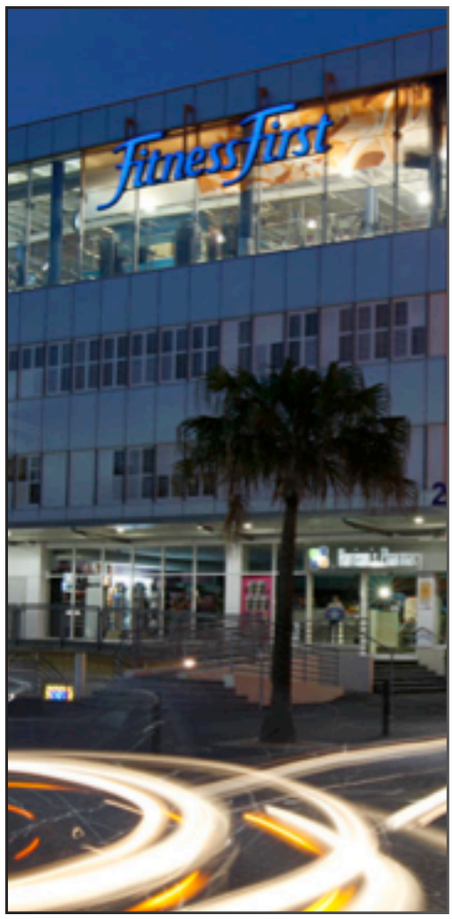
The financial statements for the half-year ended 31 December 2009 are attached and are not subject to any dispute or qualification.

PELORUS PROPERTY GROUP
AND CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

Half Year Ended 31 December 2009





Pelorus Property Group Limited

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Contents

Director's Report

Your directors present their report for Pelorus Property Group Ltd and controlled entities for the half year ended 31 December 2009.

Results and Review of Operations

During the period ended 31 December 2008 the Group merged with a number of its subsidiaries. As a consequence of the merger a like for like comparison of the result with the previous corresponding period is not relevant. Please refer to the ASX/Media Announcement accompanying this report for a normalised comparison and an explanation of the result.

Information on Directors

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

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

David Sellin was appointed as the Company Secretary in July 2009.

Simon Hayes resigned as the Company Secretary in July 2009.

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
24 February 2010

chartered
accountants

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55 Market Street, Sydney NSW 2000
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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 2009 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 24th day of February 2010.

ESV Chartered Accountants

ESV Chartered Accountants

Tim Valtwies

Tim Valtwies
Partner

chartered
accountants

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55 Market Street, Sydney NSW 2000
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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 condensed consolidated financial report of Pelorus Property Group Limited ("the Company") and Controlled Entities ("Group") which comprises the condensed consolidated statement of financial position as at 31 December 2009 and the condensed consolidated income statement, condensed consolidated statement of changes in equity, cash flow statement for the half-year ended on that date, selected accompanying notes to the financial statements and the Director's declaration for the half-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 2009 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*.

We have given to the directors of the company a written Auditors' Independence Declaration on 24 February 2010, a copy of which is attached to the Directors' Report.

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

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:

(a) giving a true and fair view of the financial position of the Company and Group for the half-year ended 31 December 2009 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 24th day of February 2010.

ESV Chartered Accountants

ESV Chartered Accountants

Tim Valtwies
Partner

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 23, 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 2009 and of the performance for the half year ended on that date of the company and consolidated entities;

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
24 February 2010

Condensed Consolidated Statement of Comprehensive Income

	Note	Consolidated 6 Months to 31 December 2009 $	Consolidated 6 Months to 31 December 2008 $
Fund & Asset Management Income		1,217,692	1,097,291
Property Services Income		1,411,418	1,514,852
Direct Property Investment Income	7	7,183,884	-
Investment Income		117,828	1,467,568
Gain / (loss) on exchange differences		13,667	27,836
Gain / (loss) on disposal of assets		(14,711)	1,189,465
Share of profit of associates		25,000	-
Unrealised gain / (loss) on revaluation of hedges		1,315,000	-
Gain on acquisition		-	12,412,308
Total revenue		11,269,778	17,709,320
Business operating expenses		(2,446,050)	(2,598,367)
Direct Property Outgoings	7	(1,857,628)	-
Merger & acquisition expenses		-	(35,726)
Finance costs	7	(3,420,510)	(75,172)
Other expenses		(117,485)	(101,846)
Unrealised (loss) / gains on revaluation of assets		(335,007)	(8,528,738)
Profit before income tax		3,093,098	6,369,471
Income tax benefit / (expense)		(1,041,653)	(1,689,853)
Profit for the period from continuing operations		2,051,445	4,679,618
Other comprehensive income			
Exchange differences arising on translation of foreign operations		5,293	27,758
Total comprehensive income for the period		2,056,738	4,707,376
Profit attributable to:			
Owners of the parent		2,048,448	4,678,758
Non-controlling interests		2,997	860
		2,051,445	4,679,618
Total comprehensive income attributable to:			
Owners of the parent		2,053,741	4,706,516
Non-controlling interests		2,997	860
		2,056,738	4,707,376
Earnings Per Share			
Continuing operations:			
Basic earnings per share		0.01	0.04
Diluted earnings per share		0.01	0.04

The accompanying notes form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

	Note	Consolidated 31 December 2009 $	Consolidated 30 June 2009 $
ASSETS			
Current assets			
Cash and cash equivalents		1,803,466	3,180,771
Trade and other receivables		1,272,143	1,064,824
Other financial assets		1,892,435	2,106,122
Other assets		270,600	339,176
Total current assets		5,238,644	6,690,893
Non-current assets			
Equity accounted investments		82,789	53,580
Other financial assets		620,245	763,636
Property, plant and equipment		379,769	260,982
Investment properties	5	191,600,000	189,235,000
Deferred tax assets		1,563,211	1,819,413
Intangible assets	6	3,989,374	3,322,512
Total non-current assets		198,235,388	195,455,123
TOTAL ASSETS		203,474,032	202,146,016
LIABILITIES			
Current liabilities			
Trade and other payables		1,489,338	2,515,937
Current tax payable		13,495	(214,695)
Consideration for subsidiary payable	4	424,000	-
Other borrowings		500,000	-
Provisions		129,010	197,491
Total current liabilities		2,555,843	2,498,733
Non-current liabilities			
Property debt	5	97,415,000	97,415,000
Other financial liabilities		1,635,000	2,950,000
Consideration for subsidiary payable	4	60,000	-
Deferred tax liabilities		468,748	-
Provisions		4,920	4,500
Total non-current liabilities		99,583,668	100,369,500
TOTAL LIABILITIES		102,139,511	102,868,233
NET ASSETS		101,334,521	99,277,783
EQUITY			
Share capital		84,734,575	84,734,575
Reserves		(35,715)	(41,008)
Retained earnings		16,404,674	14,356,226
Parent interest		101,103,534	99,049,793
Non-controlling interest		230,987	227,990
TOTAL EQUITY		101,334,521	99,277,783

The accompanying notes form part of these condensed consolidated financial statements.

PELORUS PROPERTY GROUP

Condensed Consolidated Statement of Changes in Equity

Balance at 31 December 2009

	Ordinary Shares $	Retained Earnings $	Asset Revaluation Reserve $	Foreign Currency Translation Reserve $	Attributable to owners of the parent $	Non-controlling interest $	Total $
Balance at 1 July 2009	**84,734,575**	**14,356,226**	**1,498**	**(42,506)**	**99,049,793**	**227,990**	**99,277,783**
Profit for the period	-	2,048,448	-	-	2,048,448	2,997	2,051,445
Difference in opening balance due to foreign exchange difference on foreign entity	-	-	-	5,293	5,293	-	5,293
Total comprehensive income for the period	-	2,048,448	-	5,293	2,053,741	2,997	2,056,738
Transactions with owners recorded directly in equity:							
Payment of dividends	-	-	-	-	-	-	-
Issue of shares	-	-	-	-	-	-	-
Cost of issuing equity		-	-	-	-	-	-
Balance at 31 December 2009	**84,734,575**	**16,404,674**	**1,498**	**(37,213)**	**101,103,534**	**230,987**	**101,334,521**

The accompanying notes form part of these condensed consolidated financial statements.

PELORUS PROPERTY GROUP

Condensed Consolidated Statement of Changes in Equity

Balance at 31 December 2008	Ordinary Shares $	Retained Earnings $	Foreign Currency Translation Reserve $	Attributable to owners of the parent $	Non-controlling interest $	Total $
Balance at 1 July 2008	**34,961,702**	**3,562,756**	**(58,526)**	**38,465,932**	**27,164**	**38,493,096**
Profit attributable to members	-	4,678,758	-	4,678,758	860	4,679,618
Difference in opening balance due to foreign exchange difference on foreign entity	-	-	(31,392)	(31,392)	-	(31,392)
Reversal on foreign currency translation	-	-	59,150	59,150	-	59,150
Total comprehensive income for the period	-	4,678,758	27,758	4,706,516	860	4,707,376
Transactions with owners recorded directly in equity:						
Issue of options under employee share based payment	5,717	-	-	5,717	-	5,717
Non-controlling interest arising on acquisition	-	-	-	-	3,281	3,281
Issue of shares	49,375,400	-	-	49,375,400	-	49,375,400
Cost of issuing equity	(320,929)	-	-	(320,929)	-	(320,929)
Balance at 31 December 2008	**84,021,890**	**8,241,514**	**(30,768)**	**92,232,636**	**31,305**	**92,263,941**

The accompanying notes form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

	Note	Consolidated	
		6 Months to 31 December 2009 $	6 Months to 31 December 2008 $
Cash flows from operating activities:			
Receipts from customers		10,664,845	2,847,511
Payments to suppliers and employees		(6,216,902)	(3,207,470)
Dividends and distributions received		112,239	961,451
Interest received		65,443	368,376
Interest paid		(3,414,260)	(75,172)
Income tax paid		(46,398)	(594,995)
Net cash provided by (used in) operating activities		1,164,967	299,701
Cash flows from investing activities:			
Proceeds from disposal of investments		392,932	8,799,671
Acquisition of property, plant and equipment		(80,145)	(5,569)
Acquisition of other investments		4,000	(1,192,140)
Development of investment properties		(2,380,167)	-
Acquisition of subsidiaries, net of cash acquired		(115,425)	110,161
Loans to employees		-	(1,921)
Deposits paid		(185,000)	-
Repayment from employees		-	24,083
Loans to related parties		(120,296)	(10,836,190)
Repayments from related parties		-	9,885
Net cash provided by (used in) investing activities		(2,484,101)	(3,092,020)
Cash flows from financing activities:			
Proceeds from the issue of share capital		-	686,244
Merger transaction costs		-	(320,929)
Repayment of borrowings		(75,000)	-
Dividends paid by parent entity		-	(120,347)
Net cash provided by (used in) financing activities		(75,000)	244,968
Net increase (decrease) in cash held		(1,394,134)	(2,547,351)
Cash on 1 July 2009		3,180,771	4,561,003
Effect of exchange rates on cash holdings		16,829	-
Cash on 31 December 2009		1,803,466	2,013,652

The accompanying notes form part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

1. Statement of Significant Accounting Policies

Statement of Compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of Preparation

The condensed consolidated financial statements have been prepared on the basis of historical costs, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting polices and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2009 annual financial report for the financial year ended 30 June 2009, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. The directors have also elected under s.334(5) of the Corporations Act 2001 to apply AASB 3 Business Combinations (2008) and AASB 127 Consolidated and Separate Financial Statements (2008), and the associated amending standard AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127. In addition, the directors have adopted AASB 101 Presentation of Financial Statements.

Business Combinations

AASB 3(2008) Business Combinations applies prospectively to business combinations for which the acquisition date is on or after 1 January 2009 and alters the manner in which business combinations and changes in ownership interest in subsidiaries are accounted for. Accordingly, while its adoption has no impact on previous acquisitions made by the Group, the application of the Standard has affected the accounting for the acquisition of Tankstream Funds Management Limited in the current period. Refer to Note 4 for details of this acquisition.

The effect of the AASB 3(2008) and its consequential amendments to the other Australian Accounting Standards has been to:

- Allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests). In the current period, the acquisition of Tankstream Funds Management Limited, resulted in the acquisition of all of the equity by the Pelorus Group and therefore there was no non-controlling interest in the transaction;

1. Statement of Significant Accounting Policies Continued

Business Combinations Continued

- Change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only where it met probability and reliably measurable criteria: under the revised Standard the consideration for the acquisition always includes the fair value of any contingent consideration. Once the fair value of the contingent consideration at the acquisition date has been determined, subsequent adjustments are made against goodwill only to the extent that they reflect fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). Under the previous version of the Standard, adjustments to contingent consideration were always made against goodwill;

- Where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, require the recognition of a settlement gain or loss, measured at fair value of non-contractual relationships; and

- Require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being expensed when incurred. Previously such costs were accounted for as part of the cost of the acquisition of the business.

The adoption of this standard had no effect on the result of the Group during the period.

2. Segment Reporting

The Group has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 January 2009. AASB requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, this has resulted in the identification of the Group's reportable segments changing.

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. 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.

2. Segment Reporting Continued

The Group has now adopted two reporting segments, Fund & Asset Management and Investments. Following the acquisition of two funds management operations, the Group's fee earning activities are primarily derived from property assets held within funds or held on balance sheet. As such the Group's operations and reporting lines are better represented by consolidating all of the fee earning operating property businesses within the Fund & Asset Management segment and returns derived by holding and developing real estate interests under the segment referred to as Investments.

The Fund & Asset Management segment engages in funds management as well as property services that include property management, leasing and general property consultancy. Management now treats these operations as one "fee earning" operating segment.

The Investment segment includes direct interests in property assets as well as other property related investments such as listed security investments, property securities, loans and cash. It receives rental income and incurs property outgoings and property financing costs. It also generates income from dividends, distributions and interest.

Transfer prices between business segments are set on an arms length basis.

2. Segment Reporting continued

	Fund & Asset Management $	Investments $	Corporate Costs $	Consolidated Total $
Half -Year ended 31 December 2009				
Revenue				
Sales to external customers	2,629,110	7,312,001		9,941,111
Inter-segment sales	498,698	-		498,698
Gains on assets and liabilities	-	1,328,667		1,328,667
Total segment revenue	3,127,808	8,640,668		11,768,477
Inter-segment eliminations				(498,698)
Total Consolidated Revenue				**11,269,778**
Expenses	(1,694,579)	(5,453,937)	(693,158)	(7,841,674)
Inter-segment expenses	-	(498,698)	-	(498,698)
Impairment losses	-	(335,006)	-	(335,006)
Total segment expenses	(1,694,579)	(6,287,642)	(693,158)	(8,675,378)
				498,698
Total Consolidated Expenses				**(8,176,680)**
Results				
Profit before income tax	**1,433,229**	**2,353,027**	**(693,158)**	**3,093,098**
Assets				
Segment assets	8,245,755	195,228,277		203,474,032
Total Assets				**203,474,032**
Liabilities				
Segment liabilities	(1,290,098)	(100,849,413)		(102,139,511)
Total liabilities				**(102,139,511)**
Net Assets	**6,955,657**	**94,378,864**		**101,334,521**

2. Segment Reporting continued

	Fund & Asset Management $	Investments $	Corporate Costs $	Consolidated Total $
Half -Year ended 31 December 2008				
Revenue				
Sales to external customers	2,612,141	1,495,406		4,107,547
Inter-segment sales	-	-		-
Gains on assets and liabilities	-	5,073,035		5,073,035
Total segment revenue	2,612,141	6,568,441		9,180,582
Inter-segment eliminations				-
Total Consolidated Revenue				**9,180,582**
Expenses	(1,769,396)	(504,061)	(537,654)	(2,811,111)
Inter-segment expenses	-	-	-	-
Total segment expenses	(1,769,396)	(504,061)	(537,654)	(2,811,111)
Inter-segment eliminations				-
Total Consolidated Expenses				(2,811,111)
Results				
Profit before income tax	**842,745**	**6,064,380**	**(537,654)**	**6,369,471**
Assets				
Segment assets	3,413,558	182,657,727		186,071,285
Unallocated assets	-	-		1,203,565
Total Assets				**187,274,850**
Liabilities				
Segment liabilities	(1,106,126)	(92,329,085)		(93,435,211)
Total liabilities				**(93,435,211)**
Net Assets	**2,307,432**	**90,328,642**		**93,839,639**

3. Investment in Associates

On 4 August 2009, the Group acquired a 40% interest in Pelathon Management Group Pty Ltd, a pub management company incorporated in Australia. The company will initially provide management services to the seven pubs in the Pelorus Pub Fund. The consideration for the acquisition was $4,000.

4. Acquisition of Subsidiaries

(a) Tankstream Funds Management Limited

On 1 October 2009, the Group acquired a 100% interest in Tankstream Funds Management Limited (TFML). TFML is engaged in funds management activities and was acquired with the objective of growing the Group's Fund & Asset Management income streams. TFML is the responsible entity of the Pelorus Property Trust and the Pelorus Pub Fund.

	Recognised values on acquisition $
Cash and cash equivalents	4,575
Trade and other receivables	106,775
Loans and receivables	267,223
Investment	116,609
Property plant and equipment	80,570
Deferred tax assets	42,086
Trade and other payables	(148,497)
Loans and payables	(575,000)
Other financial liabilities	-
Net identifiable assets and liabilities	(105,649)
	Consideration
	$
Cash	-
Contingent consideration arrangement (i)	300,000
Pelorus Property Group Limited Shares	304,000
Total consideration	604,000
Goodwill on acquisition	**709,659**
Net cash inflow:	**Cash inflow / (outflow)**
Cash acquired	4,575
Less: payment for share capital (ii)	(120,000)
Net cash outflow	(115,425)

4. Acquisition of Subsidiaries Continued

(i) The contingent consideration is in relation to the performance of the vendor's employment within the Group for a period of two years after acquisition. The fair value of this consideration was assessed at acquisition date to be $300,000, based on the probability of this performance being met.

(ii) Total cash payments as at 31 December 2009. (The maximum contingent consideration yet to be paid is $180,000).

Impact of acquisition on the results of the Group

Included in the profit for the interim period is $331,960 attributable to TFML. Revenue for the period includes $356,986 in respect of TFML.

5. Investment Properties and Property Debt

	Bakehouse Quarter $ '000	Penrith $ '000	The Woods at Villawood $ '000	Bondi $ '000	Surry Hills $ '000	Total
Value at 30 June 2009	155,515	16,500	15,000	975	1,245	189,235
Capital Improvements	2,315	41	30	22	-	2,408
Revaluation increase/ (decrease)	20	(41)	(30)	3	5	(43)
Value at 31December 2009	157,850	16,500	15,000	1,000	1,250	191,600
Property debt	(77,500)	(10,500)	(8,000)	(610)	(805)	(97,415)
Net property equity	80,350	6,000	7,000	390	445	94,185
Loan to value ratio	49%	64%	53%	61%	64%	51%

The Bakehouse Quarter is a significant development site located in North Strathfield Sydney. The project involves the conversion of the old Arnott's biscuit factory into an urban business precinct with over 35,000 sqm of commercial, retail, restaurant and entertainment space completed and trading. The site is expected to grow roughly 100,000 sqm over the next five to ten years. A $37.5m debt facility secured against the property has an expiry date of September 2011, the remaining debt expires in September 2012. The current fair value is a combination of development land value, cost of building under construction and a yield of 8% on completed elements.

The Bakehouse Quarter is held in the Bakehouse Quarter Fund (BQF). BQF was a managed investment scheme which was listed on the ASX in 2002. In 2007 BQF was delisted and at that time the Group held just over 24% of its issued units. In December 2008 the Group acquired the balance of the issued units in BQF and it was consolidated into the Group's financial statements. More information on BQF can be found on the ASX website under the ASX Code BQF.

The Penrith property is a bulky goods retail centre known as 120 Mulgoa Road, Penrith. Pelorus is working up a proposal to expand the property's largest tenant by up to 500 sqm. The debt expires in May 2011. The property fair value reflects a current yield of 9.14%.

5. Investment Properties and Property Debt Continued

The Woods at Villawood is a conversion of a 9,000 sqm failed bulky goods retail site into a mixed-use entertainment precinct situated on Woodville Road, Villawood. The property is now fully leased with its final two tenants, an indoor rock climbing gym and an indoor go kart operator due to move into their premises in the next 2 months, following fit out and extensions being completed. The debt secured against the property is due to expire in September 2012. The current fair value reflects a capitalisation rate of 8.75%.

Bondi and Surry Hills are two residential properties providing furnished short term accommodation to working tourists. The debt facilities secured against the properties are due to expire in July and August 2012 respectively.

6. Goodwill

	Consolidated	
	31 December 2009 $	30 June 2009 $
Gross carrying amount		
Balance at the beginning of the interim period	3,254,451	1,573,630
Additional amounts recognised from business combination during the period (i)	709,659	1,680,821
Adjustments resulting from the subsequent recognition of deferred tax assets	-	-
Derecognised on disposal of a subsidiary	-	-
Reclassified as held for sale	-	-
Balance at the end of the interim period	3,964,110	3,254,451
Net book value		
At the beginning of the interim period	3,254,451	1,573,630
At the end of the interim period	3,964,110	3,254,451

(i) The additional goodwill recognised in the period was due to the acquisition of 100% of the equity in Tankstream Funds Management Limited. Refer to Note 4 for further details.

7. Income and Expenses from Direct Property Investments

	Consolidated	
	6 Months to 31 December 2009 $	6 Months to 31 December 2008 $
Income		
Direct Property Investment Income	7,183,884	-
Expenses		
Direct Property Outgoings	(1,857,628)	-
Finance costs	(3,420,510)	(75,172)

There has been a significant increase in direct property income and expenses in the current period when compared to the comparable December 2008 period. This increase is due to the Group's acquisition of a number of subsidiaries, with investment properties, during December 2008 and early in the 2009 calendar year. Since these assets have now been on hand for the entire current period, income and expenses from these assets have increased accordingly.

8. Issued Capital

(a) Summary table

	Consolidated	
	31 December 2009 $	30 June 2009 $
364,593,893 (30 June 2009: 364,593,893) Ordinary	84,734,575	84,734,575
Total issued capital	84,734,575	84,734,575

(b) Movement in shares on issue

	Consolidated	
	31 December 2009 No.	30 June 2009 No.
At the beginning of reporting period	364,593,893	113,649,724
Shares issued during the year:		
Employee Share Scheme	-	195,729
Issued for acquisition of Bakehouse Quarter Fund units	-	168,016,256
Issued for acquisition of Planloc Pty Ltd shares	-	64,075,758
Issued for acquisition of Pelorus Storage Fund units	-	11,550,000
Issued for acquisition of Pelorus Penrith Fund No. 2 units	-	5,300,000
Pro-rata issue for Directors and Shareholders shortfall shares	-	1,806,426
At reporting date	364,593,893	364,593,893

8. Issued Capital Continued

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

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

9. Dividends

(a) Dividends Paid

	Consolidated			
	6 Months to 31 December 2009		6 Months to 31 December 2008	
6 Months to 31 December 2009 / 6 Months to 31 December 2008	Cents per share	$	Cents per share	$
Payment of interim fully franked ordinary dividend	-	-	-	-
Total Dividends	-	-	-	-

10. Capital Commitments

On 30 November 2009, the Group entered into a contract to purchase a property at 217 Parramatta Road, North Strathfield, adjacent to the Bakehouse Quarter. The purchase is for $1,850,000, to be settled on 31 August 2010. On 3 December 2009 a $185,000 deposit was paid to the vendor for the purchase and is included in the Group's accounts as an other asset as at 31 December 2009.

No other capital commitments were in existence as at 31 December 2009.

11. Contingent Liabilities and Contingent Assets

Prior to the acquisition of RFM Limited (RFML) in June 2009, contractual arrangements between RFML and a unitholder in the RP Trust were disclosed to Pelorus. RFML disputes that these arrangements are an actual or contingent liability, however, if RFML's position is incorrect they may give rise to significant contingent liabilities within RFML. Pelorus did not agree to undertakings in relation to any of RFML's prior obligations and does not regard them as a financial risk to the Group.

There are no other contingent liabilities or assets as at 31 December 2009.

12. Events After the Balance Sheet Date

In January 2010 Pelorus agreed to allot 14.8 million ordinary PPI shares to Officium Group along with a third party co-investor at an issue price of 26 cents per share. The allotment in association with an investment in the Pelorus Property Trust formed part of the acquisition of three pubs by the Pelorus Pub Fund. As a result of the transaction Pelorus has become a substantial unitholder of the Pelorus Pub Fund.

13. Company Details

Principal place of business

The principal place of business of the company is:

Pelorus Property Group Ltd and Controlled Entities
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Neutral Bay NSW 2089

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