



ACN 091 209 693

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# MERGER PROSPECTUS

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**In relation to offers to purchase the units you own in**

**BAKEHOUSE QUARTER FUND**

**PELORUS PENRITH FUND NO. 2**

**PELORUS STORAGE FUND**

**(as applicable) in exchange for quoted ordinary shares  
in Pelorus Property Group Limited (ASX:PPI)**

## **Important Information**

This Prospectus is an important document and requires your immediate attention. It should be read in its entirety. If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately. This Prospectus is issued in accordance with Section 713 of the Corporations Act 2001 being the special prospectus content rules for continuously quoted securities.

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## Important Notice

This Prospectus is dated 14 November 2008 and was lodged with the Australian Securities and Investments Commission (ASIC) on that date. Neither ASIC, the ASX nor their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

The expiry date of this Prospectus is 5.00pm AEST on that date which is 13 months after the date this Prospectus is lodged with ASIC (the Expiry Date). No securities may be issued on the basis of this Prospectus after the Expiry Date.

## Foreign Jurisdictions

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law or regulation. Accordingly, persons who come into possession of this Prospectus should inform themselves of, seek advice on and observe those restrictions. Non-observance by such persons may violate securities laws. This Prospectus and the accompanying Offer Document does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus or the accompanying Offer Document. Any information or representation not so contained may not be relied upon as having been authorised by the Company in connection with the Offer.

This Prospectus should be read in its entirety before deciding whether to make an investment in the Company. Independent financial, legal, taxation or other professional advice should be sought prior to making an investment in the Company.

## Continuously Quoted Securities

This Prospectus is issued in accordance with section 713 of the Corporations Act being the special prospectus content rules for continuously quoted securities. The issue of a prospectus under section 713 allows a listed disclosing entity, such as the Company, to issue a modified prospectus on certain conditions. The Prospectus does not include all the information that would be included in a prospectus for an initial public offering of securities in an

unlisted entity on a stock exchange. The Prospectus is intended to be read in conjunction with information that has been previously disclosed by the Company and notified on the ASX.

The information provided in this Prospectus includes all information investors and their professional advisers would reasonably require to make an informed assessment of the Offers, including the effect of the Offers on the Company and the rights and liabilities attached to the Shares offered.

## Availability of documents

Copies of this Prospectus, the Company's constitution and the most recent annual reports of the Company, BQF, PSF and PPF2 will be provided free of charge to any person who asks for a copy during the Offer Period. Copies of each of these documents (other than the constitution) are also available on the Company's website at [www.pelorus.com.au](http://www.pelorus.com.au). Any person accessing, or attempting to access, the electronic version of this Prospectus, whether by email or otherwise, must be an Australian resident and must only access the Prospectus from within Australia.

Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

## Listing of new Pelorus Shares on ASX

Application will be made within 7 days of the date of this Prospectus for Pelorus Shares offered under this Prospectus to be granted official quotation by ASX. If the new Pelorus Shares are not admitted to official quotation within 3 months after the date of this Prospectus (or such longer period as may be permitted by ASIC), all issues of Pelorus Shares will be void and the Company will return all units acquired under the Offers.

## Important Dates

For details on the dates that are important to your Offer, please refer to the accompanying Offer Document.

# 1. PELORUS AND THE MERGER

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## 1.1 Background

Pelorus is a vertically integrated property group which manages or controls real estate valued at over \$500 million located from Darwin to Melbourne. The group has structured and managed real estate investment syndicates for over 10 years on behalf of retail, sophisticated and institutional investors.

Pelorus' retail management, leasing and consulting subsidiary, Wynn Tresidder Management, has operated for 15 years on both large and small retail projects. Pelorus has recently expanded operations to include a retail management consultancy joint venture in India and the development and management of a shopping centre in New Zealand.

## 1.2 The Merger and the Offers

On 19 June 2008 Pelorus announced a transaction to merge with a number of its unlisted funds and related entities. The Merger is subject to approval of various resolutions which are to be put to Shareholders at the Company's Annual General Meeting on 28 November 2008.

The Merger is comprised of four offers by Pelorus as set out below:

- (a) an offer to acquire all of the units it does not already own in BQF in exchange for listed ordinary shares in Pelorus (**BQF Offer**). The BQF Offer is described in detail in the Company's 2008 Notice of AGM and the BQF Offer Document;
- (b) an offer to acquire all of the units it does not already own in PPF2 in exchange for listed ordinary shares in Pelorus (**PPF2 Offer**). The PPF2 Offer is described in detail in the PPF2 Offer Document;
- (c) an offer to acquire all of the units it does not already own in PSF in exchange for listed ordinary shares in Pelorus (**PSF Offer**). The PSF Offer is described in detail in the PSF Offer Document; and
- (d) an offer to acquire 100% of the issued share capital of Planloc in exchange for listed ordinary shares in Pelorus (**Planloc Acquisition**) the terms of which are set out in a Share Purchase Agreement and summarised in section 5.2. The Planloc Acquisition is described in detail in the Company's 2008 Notice of AGM.

If you are a unitholder in BQF, PPF2 or PSF, you will receive an Offer Document in relation to the BQF Offer, PPF2 Offer or PSF Offer (as applicable) accompanied by a copy of this Prospectus. Full terms and conditions of the BQF Offer, PPF2 Offer and PSF Offer are set out in the applicable Offer Document.

## 1.3 Why Pelorus is Undertaking the Merger

Pelorus and its Directors have worked with distressed retail and commercial properties and property structures since the late 1980s and this activity continues to be a key strategy. The Company's 2007 full year annual report stated:

*"With the recent upheaval in debt markets the Group's view is that both equity and debt capital markets could become tighter with wider credit spreads. Such circumstances should generate opportunities to which Pelorus' vertically integrated business can add value, in particular, in the context of distressed properties."*

The Directors agree with commentary on the current global financial crisis suggesting that it will have a significant and prolonged effect on property and capital markets. Pelorus is undertaking the Merger in contemplation of these market conditions and the opportunities they should offer the Company. The Directors believe that the Merger will:

- (a) grow Pelorus' balance sheet, gross revenue and Shares on issue, enabling it to more aggressively pursue distressed property opportunities;
- (b) simplify its corporate and business structure; and
- (c) further align the interests of its Shareholders with that of the Directors.

## 1.4 Pelorus' Major Projects and Investments

### The Bakehouse Quarter & the Bakehouse Quarter Fund ("BQF")

The Bakehouse Quarter is the conversion of the old Arnott's biscuit factory in North Strathfield, Sydney into an urban business precinct. To date over 35,000 square metres of new buildings and building conversions have been completed, comprising commercial office space, retail and entertainment premises. A further 50,000 square metres of space is currently in various stages of planning. Over the past twelve months the project has grown significantly with additional office space, a 38 lane AMF bowling centre and five new restaurants. The Bakehouse Quarter's restaurant strip now offers a variety of cuisines including Japanese, Korean, Lebanese, Italian and Indian plus a steakhouse and a gourmet pizza wine bar.

The Bakehouse Quarter Fund was established by Pelorus in 2002 to take an interest in and control of the development of the Bakehouse Quarter. In 2005 the fund's members approved a restructure that included the acquisition of interests in three adjoining properties and an extension of BQF's term from 7 to 35 years.

Pelorus holds approximately 25% of the total issued units in BQF. This interest was acquired by Pelorus on market (when BQF was listed on the ASX), under a book build tender offer by BQF of units the fund held in itself and by way of an off-market takeover bid made by Pelorus in April 2007.

Pelorus' holding in BQF is the Company's most significant asset and as a consequence fluctuations in the value of BQF units have impacted Pelorus' NTA. The BQF units are held in Pelorus' 30 June 2008 financial statements at \$4.80 per unit. Pre-Merger a 10% movement in the value of BQF units affects Pelorus' NTA by approximately 2 cents per Share.

The Directors are optimistic that development and leasing activity at the Bakehouse Quarter is adding value to the property but recognise that there may be offsetting or even larger falls in value taking place in the current market. At the proposed ratio a 20% fall in the value of BQF units would result in the same NTA per Share whether or not the Merger was to proceed. Conversely, a rise in value of BQF units of 20% would add 4 cents per Share pre-Merger and 6 cents per Share post-Merger.

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

- (a) the properties which comprise the Bakehouse Quarter were independently valued on 31 December 2007 (the Valuations);

- (b) the Bakehouse Quarter is a development site with significant areas of land which are yet to be developed in addition to areas which are gradually being leased and converted into retail and commercial premises;
- (c) the Bakehouse Quarter gross revenue is growing along with its gradual development to the extent that between July 2007 to December 2008 it will have grown by \$2 million per annum;
- (d) construction of a multi-deck car park and commercial/retail premises has commenced since the Valuations;
- (e) a number of cornerstone key tenants were granted concessional rental terms when they took occupation of their premises. The most significant of these concessional rentals will expire in December 2008; and
- (f) based on the loan amounts of all prior ranking mortgage securities at the date of this Prospectus the loan to value ratio (excluding the BQF's interest in the project) is less than 45%.

### **Planloc and Pelorus Penrith Fund No. 2 ("PPF2")**

Interests associated with Seph Glew and Paul Tresidder own all of the issued Planloc shares and have agreed to sell their Planloc shares in exchange for Pelorus Shares in accordance with the terms of a Share Purchase Agreement dated 27 October 2008. See section 5.2 for more details on the Share Purchase Agreement.

Planloc's major asset is a bulky goods retail centre known as 120 Mulgoa Road, Penrith. This property was developed by Pelorus directors Seph Glew and Paul Tresidder and commenced trading in 1996. The project's major tenants are, Toys "R" Us, Barbeques Galore and Boating Camping Fishing.

In 2001 Pelorus created a managed investment scheme called the Pelorus PIPES – Penrith Fund, now known as the Pelorus Penrith Fund No. 2 (PPF2), which acquired a mortgage interest over 120 Mulgoa Road. Both managed investments schemes involved Pelorus completing two capital raisings and a reorganisation of the project's capital structure. Pelorus is the responsible entity of PPF2 and holds over 60% of its issued capital. Pelorus and its subsidiaries continue to provide property and development management, leasing, structured finance and funds management with respect to 120 Mulgoa Road.

By acquiring Planloc and the balance of the units in PPF2, Pelorus will control all of the economic interests in 120 Mulgoa Road. This will reduce running costs and increase Pelorus' cash flow and capital base.

In addition to its interests in 120 Mulgoa Road, Planloc holds investments in BQF units, PSF units and Pelorus Shares. Planloc also holds a 50 percent interest in two multi-tenant residential properties located in Sydney's Bondi and Surry Hills. These interests are held in joint venture with a short term furnished residential development and management operation. This group targets the short-term "professional working holiday" market. Although these interests are immaterial Pelorus has been looking to increase its activity in this market. Further details on the Planloc Acquisition are set out in the 2008 Notice of AGM.

### **The Woods at Villawood**

The Woods was a distressed bulky goods centre at 850 Woodville Road, Villawood that Pelorus is repositioning into a family lifestyle precinct. The property was acquired by an unlisted sophisticated investor syndicate (the WRV Unit Trust) capitalised by Pelorus shareholders and Directors.

Pelorus' introduction to The Woods project came through Wynn Tresidder Management's appointment to provide consultancy advice to the then institutional owner. Pelorus was then offered to purchase the

centre and accepted this offer in April 2007. Pelorus established the WRV Unit Trust to acquire the property. In order to finalise the purchase Pelorus raised \$2.5 million by way of a pro rata excluded offer to qualifying Pelorus shareholders and arranged senior and subordinated debt for the balance of acquisition costs.

To date an AMF Bowling Centre (3,900 square metres) and a Wiggles Playland (1,000 square metres) are open and trading.

### **Trentham City Shopping Centre**

Trentham City is a distressed shopping centre and high street precinct covering two city blocks in Upper Hutt (an outer suburb of Wellington, New Zealand). The project was acquired by a special purpose vehicle in which Pelorus has a 40% interest. Pelorus is responsible for asset and property management. Like The Woods, Pelorus was introduced to this project because of its property management and consulting activities.

The specialty shop component of the main enclosed centre was substantially vacant when the transaction settled in December 2007. By Christmas 2008 it is anticipated that the enclosed mall will have less than 9 vacancies remaining. The high street precinct presents more significant challenges, however, with trade and cash flow building in the enclosed centre Pelorus has time to implement a long-term solution.

### **Pelorus Storage Fund (PSF)**

In each of its development projects Pelorus has arranged preferred property equity structures to limit institutional gearing, unlock capital for seed capital investors and maintain long term control. When the Company listed on the ASX part of its strategy was to use the capital raised to underwrite such structures for properties controlled by the group and third parties.

PSF is an unlisted managed investment scheme which acquired a \$6 million interest in three self storage facilities located in the ACT region. The storage facilities have traded under the name Capital Self Storage for over fifteen years. PSF's seven year term commenced in October 2007. Pelorus underwrote the issue of securities under PSF's product disclosure statement and entered into a joint venture with the owner to manage the storage facilities for the term.



## 2. THE EFFECT OF THE MERGER ON PELORUS

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### 2.1 Financial Information

The financial information included in this section has been compiled on the basis that:

- (a) the Planloc Acquisition has been completed;
- (b) each of the Offers have been accepted in full; and
- (c) Pelorus issues new Pelorus Shares to each holder in BQF, Planloc, PSF and PPF2.

Further financial information on the entities referred to in this Prospectus are set out in:

- (a) 2008 Pelorus Annual Report;
- (b) 2008 BQF Annual Report;
- (c) 2008 PSF Annual Report;
- (d) 2008 PPF2 Annual Report; and
- (e) 2008 Notice of AGM.

Copies of these reports may be obtained free of charge during the Offer Period from Pelorus' registered office during normal business hours, at Pelorus' website [www.pelorus.com.au](http://www.pelorus.com.au), or from ASIC or ASX's company announcements platform.

Pelorus derives its revenue from property and development management, leasing, structured finance and funds management fees with respect to commercial and retail property. In addition Pelorus invests its balance sheet in property and property structures. A significant proportion of gross revenue is derived by providing services to properties that are controlled by the entities Pelorus will acquire on completion of the Merger. In addition Pelorus is now holding or has recently held significant investments in BQF, PPF2 and PSF.

The Merger will have the following implications on Pelorus and its business (assuming all of the securities not already owned by Pelorus in each of BQF, Planloc, PPF2 and PSF are acquired):

- (a) grow the gross assets from \$42 million to \$136 million;
- (b) increase Shares on issue from 114,160,036 at the date of this Prospectus to approximately 377,000,000;
- (c) simplify operations;
- (d) simplify the corporate structure; and
- (e) further align the interests of Shareholders and the Directors.

### 2.2 Pro Forma Consolidated Balance Sheet

Set out below is a pro forma balance sheet which updates the balance sheet included in Pelorus' audited financial statements for the year ending 30 June 2008 assuming that the Merger is complete such that all securities not already held by Pelorus in each of the BQF, Planloc, PPF2 and PSF are acquired.



## Pro Forma Balance Sheet

	<b>Consolidated</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	4,561,003
Trade and other receivables	1,452,279
Other financial assets	100,421,952
Other assets	20,873
<b>Total Current Assets</b>	<u>106,456,107</u>
<b>Non Current Assets</b>	
Investments accounted for using equity method	43,301
Other financial assets	6,569,000
Investment property	22,870,000
Property, plant and equipment	304,760
Deferred tax	31,363
Intangible assets	1,582,728
<b>Total Non-Current Assets</b>	<u>31,401,152</u>
<b>TOTAL ASSETS</b>	<u><b>137,857,259</b></u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Trade and other payables	1,188,536
Current tax payable	302,013
Provisions	138,505
<b>Total Current Liabilities</b>	<u>1,629,054</u>
<b>Non-Current Liabilities</b>	
Deferred tax	1,435,686
Provisions	31,793
Debt	11,915,000
<b>Total Non-Current Liabilities</b>	<u>13,382,479</u>
<b>TOTAL LIABILITIES</b>	<u><b>15,011,533</b></u>
<b>NET ASSETS</b>	<u><u><b>122,845,726</b></u></u>
Total Shares on Issue at Completion	377,000,000

### **3. RIGHTS AND LIABILITIES ATTACHING TO PELORUS SHARES**

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The rights attaching to ownership of Pelorus Shares are detailed in the constitution of the Company that may be inspected during normal business hours at the registered office of the Company. The following is a summary of the major provisions.

#### **3.1 Voting**

At a general meeting, every member present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each fully paid Pelorus Share held. On a poll partly paid Pelorus Shares confer a fraction of a vote pro rata to the amount paid up on the Pelorus Share.

#### **3.2 General Meetings**

Each member is entitled to receive notice of and, except in certain circumstances, to attend and vote at general meetings of the Company and receive all financial statements, notices and other documents required to be sent to members under the constitution or the Corporations Act.

#### **3.3 Dividends**

Subject to any special terms and conditions of issue, the profits of the Company which the Directors from time to time determine to distribute by way of dividend are divisible amongst the members in proportion to the amounts paid up on the Pelorus Shares held by them. On 29 August 2008 in its Preliminary Final Report Pelorus advised that the Directors had resolved to defer consideration of a dividend until the Merger was completed and the ongoing structure of the group is determined.

#### **3.4 Issue of Further Pelorus Shares**

The Directors may (subject to the restrictions on the allotment of shares imposed by the constitution, the ASX Listing Rules and the Corporations Act) allot, grant options in respect of, or otherwise dispose of further Pelorus Shares on the terms and conditions as they see fit.

#### **3.5 Transfer of Pelorus Shares**

Holders of Pelorus Shares may transfer them by a proper transfer effected in accordance with the business rules of the Australian Clearing House Pty Limited and the ASX and as otherwise permitted by the Corporations Act.

The Directors may decline to register a transfer of Pelorus Shares where the transfer is not in registrable form or where the refusal to register the transfer is permitted under the Listing Rules of the ASX. If the Directors decline to register a transfer the Company must give the party lodging the transfer written notice of the refusal and the reason for refusal.

#### **3.6 Winding Up**

Subject to any special or preferential rights attaching to any class or classes of Pelorus Shares, members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the Pelorus Shares held by them, less any amounts which remain unpaid on these Pelorus Shares at the time of distribution.

### **3.7 Proportional takeover provisions**

The Constitution contains provisions for shareholder approval in relation to any proportional takeover scheme. The provision will lapse unless it is renewed by special resolution of Shareholders in a general meeting within 3 years from the date of its adoption.

### **3.8 Directors**

The minimum number of Directors is 3 and the maximum is to be fixed by the Directors but may not be more than 12 unless the Company passes a resolution varying that number. Questions arising at a meeting of Directors will be decided by a majority vote.

### **3.9 Dividend Plans**

The constitution contains a provision allowing Directors to implement a dividend reinvestment plan and a dividend selection plan. The Company has implemented a dividend reinvestment plan.

### **3.10 Directors' indemnity**

The Company, to the extent permitted by law, indemnifies each Director, alternate Director or executive officer (and any person who has previously served in any such capacity) against any liability or cost incurred by the person as an officer of the Company or a related body corporate of the Company. This includes but is not limited to liability for negligence or costs incurred in defending proceedings in which judgment is given in favour of the person or in which the person is acquitted. The indemnity may be extended to other officers or the auditor at the discretion of the Directors.

### **3.11 Alterations of Constitution**

The constitution can only be amended by a special resolution passed by at least three quarters of members present and voting at a general meeting of the Company. The Company must give at least 28 days' written notice of its intention to propose a resolution as a special resolution.

### **3.12 Share Buy Backs**

The Company may buy back Pelorus Shares in itself in accordance with the provisions of the Corporations Act.

## **4. RISKS**

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The business activities of Pelorus are subject to risks and there are many risks which may impact on Pelorus' future performance. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but many are outside the control of Pelorus and cannot be mitigated. There are also general risks associated with any investment. Investors should consider all of these risks before they make a decision whether or not to invest in Pelorus Shares. In addition, investors should speak to their financial, legal or other adviser about these risks before making a decision to invest in Pelorus Shares. The principal risk factors include, but are not limited to, the following:

### **4.1 Recent Growth Record**

Future growth is dependent on many factors, including those set out in this Prospectus. There is no assurance that the recent growth of Pelorus or its activities is sustainable, or is indicative of future growth or profitability, or future dividend payments. In the future, there is no assurance that Pelorus' products will be readily taken up by the market or taken up at all.

### **4.2 Market Perception**

Pelorus is proposing to expand its business. However, in existing markets, Pelorus is presently perceived as a relatively small entity. This may inhibit Pelorus' ability to secure and convert business opportunities.

### **4.3 Loss of Tenants and Services to the Property**

Pelorus and its funds rely on the capacity of tenants at the projects it controls to meet their obligations under the leases. An unexpected disruption or significant loss of tenants at any one time is likely to materially adversely impact both funds management and property services income of Pelorus. In addition unforeseen increases in the costs of services supplied to the projects including, but not limited to, electricity, gas, water, fire protection and insurance will impact on the profitability of the projects and ultimately Pelorus.

### **4.4 Termination of Material Contracts**

There are existing contracts and arrangements that are material to Pelorus' business which are outlined in Section 5 of this Prospectus and which have previously been disclosed under the continuous disclosure regime. Expiry or termination of those contracts or arrangements for any reason may have a significant adverse impact on the business, revenues and profitability of Pelorus.

### **4.5 Reliance on Key Personnel**

Pelorus' success will depend in part on the continued services of its directors and key employees. The loss of services of one or more of Pelorus' directors or key employees could have a material adverse effect on Pelorus' business, operating results and financial condition. Pelorus does not have, nor does it intend to take out, key man insurance in respect of any of its key employees and contractors.

### **4.6 Need to Attract Qualified Staff**

Pelorus' future success will in part depend on its ability to hire, train and retain suitable staff. Competition for such personnel is strong and there can be no assurance that Pelorus will be successful in attracting and retaining such personnel on reasonable terms or at all.

## **4.7 Further Capital Requirements**

The Directors believe that on completion of the Merger, Pelorus will have sufficient working capital to carry out its stated business objectives. There can be no assurance that such objectives can be met without further financing or, if further financing is necessary, that it can be obtained on favourable terms or at all.

## **4.8 Debt Markets**

The properties Pelorus controls have debt funding. Pelorus, its subsidiaries or the properties it controls may require debt funding in the future. The terms, sources and availability of such debt funding in the future are unknown. A change in the terms, sources and availability of Pelorus' debt funding may have a significant negative impact on Pelorus' financial performance and that of its current and future projects.

## **4.9 Price and Liquidity of Shares**

An investment in shares should be regarded as speculative. The price of Pelorus Shares can rise or fall and can be affected by a range of factors affecting stock markets generally, or industries in which Pelorus' business operates. Those factors are often beyond the control of Pelorus. In addition, liquidity in the trading of Pelorus Shares can be affected by a range of matters beyond the control of Pelorus. Further, there is no guarantee of any return in respect of an investment in Pelorus Shares, whether a return is by way of profit or capital. In particular, the prices of many stocks listed on the ASX have, in recent years, been subject to large fluctuations, which, in some cases, may have been unrelated to the operating performance of the individual companies concerned. Such fluctuations may adversely affect the market price of Pelorus Shares.

## **4.10 Business Interruption**

Computer viruses, lightning strikes, fire and other natural disasters, break-ins, theft, civil unrest, war and terrorism could lead to delays or cessation in Pelorus' operations and the delivery of products or services to the customers of Pelorus and, accordingly, may adversely affect Pelorus' revenues and profitability. Pelorus does not have insurance for all risks, some of which are, in any event, uninsurable. To the extent that any such risks occur, there may be adverse effects on the operations and profitability of Pelorus' business.

## **4.11 Dependence on General Economic Conditions**

In common with other companies, Pelorus may be affected by general economic conditions, including the level of interest rates, currency exchange rates, tax regulation and tax rates, global and national economic cycles, global and national political stability, employment rates, inflation, changing consumer demands and spending by customers on broadband related services. Any changes in government fiscal, monetary and regulatory policies of a Government may also adversely affect Pelorus' business.

## **4.12 Impact of Hostilities, Terrorism or Other Force Majeure Events**

War, other hostilities, terrorism or major catastrophes can adversely affect global and Australian market conditions. Such events can have direct and indirect impacts on the Company's business and earnings.

## **4.13 Changes in Regulation and Legislation**

The businesses carried on by the Company (particularly the funds management business) are subject to legislation, regulation and supervision requirements. Changes in government legislation and policy in the jurisdiction in which the Company operates may affect future earnings and operations.

#### **4.14 Property Sector Performance**

Deterioration in investment market conditions in the property sector could adversely impact the Company's earnings through directly reducing the value of existing assets under management or the income derived from them. In addition such deterioration may reduce the attractiveness of the property sector to investors.

#### **4.15 Changes in Stock Market Rating of the Shares**

There is the risk that the stock market rating of Pelorus Shares may change relative to other quoted securities, especially as a result of changes in market sentiment toward the funds management sector and the property sector. Changes in the stock market rating may affect the demand for, and the price of, Pelorus Shares.

#### **4.16 Distribution Relationships**

The Company has a number of important relationships with entities that distribute products to retail investors. Disruption of these relationships could adversely impact the Company's business.

#### **4.17 Reputation**

Any damage to the reputation of the Company or its brand could have a material adverse impact on its business.

#### **4.18 Litigation and Legal Action**

The Company and other members of the group may be exposed to potential litigation from investors, regulators, employees, business associates and companies. To the extent that these risks are not covered by insurance policies, litigation or the cost of responding to actual or potential litigation could have a material adverse impact on the Company's financial position and earnings and the share price.

#### **4.19 Technical Failure**

The Company relies on its information technology and telecommunication systems for its businesses to operate efficiently. Failure in these systems, lack of system capacity, inappropriate or unauthorised access and unsuccessful systems integration are all risks to the Company's business operations.

#### **4.20 Investment Risk**

Through its management of the Bakehouse Quarter Fund and other development projects in the future, the Company has direct exposure to the performance of the developments undertaken. Development risks, including industrial disputes, inclement weather, supply shortages, materials and building supplies price escalation and construction difficulty and delay, may impact the returns of the relevant fund or project.

## 4.21 Accounting Standards

The distributable profits of the Company are subject to the determination of profit under applicable accounting standards. A manifest error or omission in any financial statement or records with respect to Pelorus or any of the entities referred to in this Prospectus may impact on the Company's earnings and future financial performance. Further, changes in accounting standards or interpretation of existing accounting standards may impact on the Company's earnings and in turn its capacity to pay dividends.

## 4.22 Share Dumping

Pelorus will issue a significant number of Pelorus Shares to unitholders accepting the Offers. Some unitholders may not wish to retain the Pelorus Shares they receive and may subsequently offer them for sale on the ASX. If such offers are substantial, there may be an over-supply of Pelorus Shares that may have an adverse effect on the market price of Pelorus Shares.



## 5. ADDITIONAL INFORMATION

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### 5.1 ASX Listing, Continuous Disclosure and Documents Available for Inspection

- (a) The Company is a disclosing entity for the purposes of the Corporations Act. As a disclosing entity, the Company has issued this Prospectus in accordance with section 713 of the Corporations Act applicable to prospectuses for continuously quoted securities.
- (b) The Pelorus Shares to be issued pursuant to this Prospectus are in a class of securities that are continuously quoted securities. This means that the Company's fully paid ordinary shares in the same class as offered by this Prospectus are listed on a registered securities exchange, being the ASX, and were quoted continuously for the 3 months prior to the date of this Prospectus.
- (c) The Company states that:
  - (1) as a disclosing entity under the continuous disclosure regime, it is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules;
  - (2) these obligations include compliance with the requirements of the ASX Listing Rules concerning notification of information to the ASX which require the Company (subject to certain exceptions) to notify the ASX immediately of any information concerning the Company of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price or value of the Pelorus Shares; and
  - (3) copies of documents lodged with ASIC in relation to the Company (which are not documents of the type referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, an office of ASIC.
- (d) Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the general and specific disclosure requirements of the ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus. No information has been excluded from any continuous disclosure notice given by the Company in accordance with the ASX Listing Rules which is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
  - (1) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
  - (2) the rights and liabilities attaching to Pelorus Shares.
- (e) As this Prospectus is issued pursuant to section 713 of the Corporations Act, it is required to contain all information investors and their professional advisers would reasonably require to make an informed assessment of:
  - (1) the effect of the Offers on the Company; and
  - (2) the rights and liabilities attaching to the Pelorus Shares.
- (f) As such, this Prospectus is not required to provide information regarding the assets and liabilities, financial position and performance, profits and losses and prospects of the Company on the basis that such information is available through continuous disclosure notices given by the Company in accordance with its obligations under the ASX Listing Rules and the Corporations Act.

- (g) At any time prior to the Closing Date specified in the Offer Document accompanying this Prospectus, any person may request, and the Company will provide free of charge, a copy of the following documents:
- (1) the 2008 Annual Report of the Company for the year ended 30 June 2008 being the most recently lodged annual report of the Company before the date of this Prospectus;
  - (2) any half-year financial report of the Company lodged after the 2008 Annual Report; and
  - (3) any continuous disclosure notices given by the Company to the ASX after the lodgement of the 2008 Annual Report with ASIC on 30 September 2008 and before the lodgement of a copy of this Prospectus with ASIC. Details of these continuous disclosure notices are set out below.

<b>Date</b>	<b>ASX Announcement</b>
28/10/2008	Notice of AGM and Explanatory Memorandum
22/10/2008	Change of Director's Interest Notice x 2
20/10/2008	Change of Substantial Holding
02/10/2008	Change of Director's Interest Notice x 4

## 5.2 Material Contracts

### Planloc Share Purchase Agreement

Pelorus entered into a Share Purchase Agreement with Planloc, Hollia and Jagar Holdings in relation to the acquisition by Pelorus of all of Planloc's issued share capital in consideration for issuing 64,075,758 Pelorus Shares to Planloc's shareholders, Hollia and Jagar Holdings.

Completion is conditional upon Pelorus obtaining shareholder approval for the issue of Pelorus Shares to Hollia and Jagar Holdings. The Company is seeking approval of this issue at the Company's forthcoming annual general meeting scheduled for 28 November 2008.

Other key terms of the Share Purchase Agreement are:

- (a) each of Hollia and Jagar Holdings, jointly and severally, indemnify Pelorus against any net tax liability incurred prior to completion. Except in the case of fraud, the indemnity is valid for a period of seven years from completion;
- (b) Hollia and Jagar Holdings, jointly and severally, provide standard warranties to the Company in respect of Planloc and its subsidiary companies;
- (c) Hollia and Jagar Holdings, jointly and severally, indemnify Pelorus against any claim, loss, liability, cost or expense which Pelorus suffers or is liable for arising directly or indirectly from a warranty being false or misleading when made under the Agreement; and
- (d) any party may terminate the Share Purchase Agreement if shareholder approval is not obtained in relation to the issue of Pelorus Shares to Planloc's shareholders by 26 January 2009.

## 5.3 Market Price of Pelorus Shares

The current market price and the price trading history of Pelorus Shares can be obtained on the ASX website at [www.asx.com.au](http://www.asx.com.au) or from other financial service providers.

## 5.4 Clearing House Electronic Sub-register System and Issuer Sponsorship

The Company will not be issuing share certificates. The Company will apply to the ASX to participate in the Clearing House Electronic Sub-register System (CHESS), if you have, or wish to have, a sponsoring stockbroker. If you do not wish to participate through CHESS you will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to you. Instead, you will be provided with a holding statement (similar to a bank account statement) that sets out the number of Pelorus Shares allotted to you under this Prospectus. The notice will also advise you of your Holder Identification Number (HIN) or Security holder Reference Number (SRN) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Monthly statements will be provided if any changes to security holdings in the Company during the preceding month occur.

Arrangements can be made at any subsequent time to convert your holding from the issuer sponsored subregister to the CHESS subregister under sponsorship of a broker, or the reverse, by contacting the Company's Share Registry and/or the Shareholder's broker.

## 5.5 Taxation

The Directors do not consider it appropriate to provide advice regarding the taxation consequences of investing in Pelorus Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible tax consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences. Therefore, you should consult your own professional tax adviser to obtain advice in relation to the taxation laws and regulations applicable to your personal circumstances.

## 5.6 Litigation

Pelorus' property management business Wynn Tresidder Management manages retail and commercial property controlled by the group and on behalf of third party clients. From time to time Wynn Tresidder is joined as a defendant in personal injury claims (often referred to as "slip and fall" actions) commenced by patrons who have been injured on premises that Wynn Tresidder Management manages. Currently the Company has one such matter before the courts. The Directors do not believe that this matter, if successful, will have a material adverse effect on the Company.

## 5.7 Costs

The total estimated costs of the Offers payable by the Company, including legal fees, share registry costs, lodgement and quotation fees, printing and other miscellaneous expenses will be approximately \$30,000 including GST. These costs will be paid by Pelorus.

## 5.8 Interests of Directors

Except as disclosed in this Prospectus:

- (a) no Director (nor any entity with which a Director is associated) or promoter of Pelorus has or had within two years before the date of this Prospectus, any interest in:

- (1) the formation or promotion of Pelorus;
  - (2) property acquired or proposed to be acquired by Pelorus in connection with its formation, promotion or the Offers;
  - (3) the Offers; and
- (b) no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to any Director either to induce him or her to become, or to qualify him or her as a Director or otherwise for services rendered by him or her in connection with the formation or promotion of Pelorus or the Offers.

Directors interests in BQF, PSF, PPF2 and Planloc are listed below:

<b>Director</b>	<b>BQF Units</b>	<b>PSF Units</b>	<b>PPF2 Units</b>	<b>Planloc Shares</b>
Seph Glew	8,271,507	427,000	200,000	4
Stuart Brown	21,529	18,558	5,000	-
Paul Tresidder	8,223,276	337,000	-	4
Guy Wynn	-	8,000	-	-
Robin Tedder	262,617	-	-	-
Richard Hill	475,798	-	-	-

## 5.9 Directors' Interests in securities

Directors' interests in Shares and options convertible into new Pelorus Shares as at the date of this Prospectus are set out below.

<b>Director</b>	<b>Shares</b>	<b>Options</b>
Seph Glew	17,260,701	2,660,000
Guy Wynn	8,566,201	1,400,000
Stuart Brown	3,915,286	600,000
Paul Tresidder	15,987,804	2,220,000
Robin Tedder	7,406,691	1,000,000
Richard Hill	Nil	Nil

## 5.10 Remuneration

The Directors are entitled to receive directors' fees and other benefits from the Company which are disclosed in the 2008 Annual Report.

## 5.11 Interests of Advisers

Except as disclosed in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm or company with which those persons is or was associated holds, or has held within two years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by, the Company in connection with its formation or promotion or the Offers; or
- (c) the Offers.

Except as disclosed in this Prospectus no amounts of any kind (whether in cash or Pelorus Shares or options or otherwise) have been paid or agreed to be paid to any promoter or person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus nor any firm or company with which those persons is or was associated, for services rendered by that person in connection with the preparation or distribution of this Prospectus.

- (a) Herceg Lawyers will be paid approximately \$27,500 (inclusive of GST) for legal services in relation to the Offers and this Prospectus; and
- (b) Registries Limited will be paid approximately \$1,000 (inclusive of GST) for its share registry services in relation to the Offers.

## 5.12 Consents

Each of the parties referred to in this section:

- (a) has given the following consents in accordance with the Corporations Act which have not been withdrawn as at the date of the lodgement of this Prospectus with ASIC;
- (b) does not make, or purport to make, any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by any of those parties, other than as specified in this section;
- (c) has not made any statement on which a statement in this Prospectus is based, other than as specified in this section; and
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of the Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Herceg Lawyers has given, and at the time of lodgement of this Prospectus, has not withdrawn, its consent to be named in this Prospectus as the Company's lawyers in the form in which it is named.

Registries Limited has given, and at the time of lodgement of this Prospectus, has not withdrawn, its consent to be named in this Prospectus as the Company's share registry, in the form and context in which it is named.

## 5.13 Directors' Authorisation and Consent

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors. In accordance with section 720 of the Corporations Act, each Director has given, and has not withdrawn, before the date of this Prospectus, his consent to the lodgement of this Prospectus with ASIC.

## 6. GLOSSARY

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<b>\$ or A\$</b>	Australian dollars unless otherwise stated.
<b>2008 Notice of AGM</b>	The notice of annual general meeting and explanatory memorandum dated 27 October 2008 for the Company's forthcoming annual general meeting scheduled for 28 November 2008.
<b>2008 Annual Report</b>	The annual financial report of the Company for the financial year ended 30 June 2008.
<b>Acceptance Form</b>	The acceptance form accompanying the Offer Document.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ACN 008 624 691.
<b>ASX Listing Rules</b>	The official listing rules of the ASX.
<b>Bidder's Statement</b>	The Company's bidder's statement dated 7 April 2007 in relation to an off-market takeover bid for BQF.
<b>Business Day</b>	A day (other than a Saturday or Sunday) on which banks are generally open in Sydney for normal business.
<b>BQF or Bakehouse Quarter Fund</b>	Bakehouse Quarter Fund ARSN 100 648 253.
<b>BQF Offer</b>	The offer by the Company to acquire all of the units it does not already own in BQF.
<b>BQF Offer Document</b>	The offer document on or about the date of the Prospectus in relation to the BQF Offer.
<b>Closing Date</b>	In relation to the:  (a) BQF Offer, the date indicated in the BQF Offer Document as the last date the BQF Offer can be accepted;  (b) PPF2 Offer, the date indicated in the PPF2 Offer Document as the last date the PPF2 Offer can be accepted; and  (c) PSF Offer, the date indicated in the PSF Offer Document as the last date the PSF Offer can be accepted.
<b>Company or Pelorus</b>	Pelorus Property Group Limited ACN 091 209 693.
<b>Corporations Act</b>	Corporations Act 2001 (Cth).
<b>Directors</b>	The directors of the Company.
<b>Hollia</b>	Hollia Pty Limited ACN 077 757 165.
<b>Jagar Holdings</b>	Jagar Holdings Pty Limited ACN 059 598 551.
<b>Jagar Property Consultants</b>	Jagar Property Consultants Pty Limited ACN 083 134 614.
<b>Merger</b>	The Planloc Acquisition and the Offers.
<b>NTA</b>	Net tangible assets.

<b>Offer Document</b>	The document accompanying this Prospectus which contains the terms and conditions of: <ul style="list-style-type: none"> <li>(a) in relation to BQF unitholders, the BQF Offer;</li> <li>(b) in relation to PPF2 unitholders, the PPF2 Offer; and</li> <li>(c) in relation to PSF unitholders, the PSF Offer.</li> </ul>
<b>Offer</b>	In relation to: <ul style="list-style-type: none"> <li>(a) BQF unitholders, the BQF Offer;</li> <li>(b) PPF2 unitholders, the PPF2 Offer; and</li> <li>(c) PSF unitholders, the PSF Offer.</li> </ul>
<b>Offers</b>	The BQF Offer, PPF2 Offer and PSF Offer.
<b>Offer Period</b>	The period during which an Offer is open for acceptance as set out in the applicable Offer Document.
<b>Planloc</b>	Planloc Pty Limited ACN 062 367 560.
<b>Planloc Acquisition</b>	The proposed transaction in which the Company will acquire 100% of the issued share capital of Planloc as documented by a Share Purchase Agreement dated 27 October 2008, a summary of which is contained in section 5.2.
<b>PPF2 or Pelorus Penrith Fund No. 2</b>	Pelorus Penrith Fund No. 2 ARSN 124 218 211.
<b>PPF2 Offer</b>	The offer by the Company to acquire all of the units it does not already own in PPF2.
<b>PPF2 Offer Document</b>	The offer document dated on or about the date of this Prospectus in relation to the PPF2 Offer.
<b>Prospectus</b>	This prospectus in relation to the Offers.
<b>PSF or Pelorus Storage Fund</b>	Pelorus Storage Fund ARSN 120 024 713.
<b>PSF Offer</b>	The offer by the Company to acquire all of the units it does not already own in PSF.
<b>PSF Offer Document</b>	The offer document dated on or about the date of this Prospectus in relation to the PSF Offer.
<b>Pelorus Share or Share</b>	A quoted fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	A registered holder of Pelorus Shares.
<b>Share Purchase Agreement</b>	The share purchase agreement dated 27 October 2008 between Planloc, Pelorus, Hollia and Jagar Holdings.
<b>Share Registry</b>	Registries Limited ACN 003 209 836.
<b>Wynn Tresidder Management</b>	Wynn Tresidder Management Pty Limited ACN 099 411 855.



## 7. CORPORATE DIRECTORY

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<b>Directors</b>	Seph Glew – Director, Executive Chairman Guy Wynn – Executive Director Stuart Brown – Managing Director Paul Tresidder – Non-Executive Director Robin Tedder – Non-Executive Director Richard Hill – Non-Executive Director
<b>Company Secretary</b>	Simon Hayes
<b>Registered &amp; Principal Office</b>	Level 3, 50 Yeo Street Neutral Bay NSW 2089 Telephone: (02) 9033 8611 Facsimile: (02) 9033 8600
<b>Share Registry</b>	Registries Limited Level 7, 207 Kent Street Sydney NSW 2000 Tel: (02) 9290 9600 Fax: (02) 9279 0664
<b>Lawyers to the Offers</b>	Herceg Lawyers Level 22, Australia Square 264 - 278 George Street Sydney NSW 2000



**Pelorus Property Group Limited**

ACN 091 209 639

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