

31 August 2010

## ASX Announcement

### PRELIMINARY FINAL REPORT FOR THE FULL YEAR TO 30 JUNE 2010

**Pelorus Property Group Limited (PPI) has generated a pre-tax profit of \$9 million for the full year to 30 June 2010 with net tangible assets per share of 28 cents.**

#### PROFIT BREAKDOWN

Fund/Property/Asset Management	\$2,550,000	
Investment	\$4,190,000	
Corporate Overhead	(\$1,700,000)	
<b>Operating Pre-Tax Profit</b>		<b>\$5,040,000</b>
Asset Revaluations	\$3,970,000	
<b>Pre-Tax Profit</b>		<b>\$9,010,000</b>

#### BALANCE SHEET ANALYSIS

<b>Assets</b>		
Cash and Receivables		\$3,260,000
Investment Properties *	\$198,000,000	
(Less Property Debt)	(\$101,720,000)	\$96,280,000
Other Investments and Assets		\$10,670,000
Intangibles and Tax Assets		\$4,880,000
<b>Other Liabilities</b>		
Payables		(\$3,420,000)
Other Borrowings		(\$500,000)
Employee Provisions		(\$190,000)
Hedge Liabilities		(\$1,210,000)
<b>Net Equity</b>		<b>\$109,770,000</b>

*\*A breakdown of the carrying values of Investment Properties is attached to this release.*

## **Pelorus and the GFC**

Pelorus aims to hold income producing real estate for the long term in capital structures designed to withstand major shifts in property market sentiment and credit conditions. Because of this, over the past 3 years, our shareholders have not been forced to endure debt amortisations funded by deeply discounted rights issues or panicked asset sales. Despite this fact, our shares have continued to trade at a price representing a significant discount to NTA and which ascribes no value to our operating businesses.

## **The Restructure**

As disclosed to the market on 20 July 2010 the directors have resolved to put a proposal (Restructure) to shareholders at our upcoming Annual General Meeting (AGM) to split the business into its functional parts.

### **Why Restructure?**

- Whilst over time it is possible that the market will see value in PPI shares, we are of the view that unless structural changes are made the company will be unable to capitalise on a number of short term opportunities which have the potential to generate significant shareholder value.
- As previously outlined Pelorus aims to significantly grow its vertically integrated property funds management business through mergers and acquisition along with the workout of distressed unlisted property structures. In each case larger transactions will require the company to raise capital or enter into scrip transactions which, in our current structure, would generate an unacceptable dilution of value for PPI shareholders.
- Although Pelorus is still relatively small it is complex and a number of our assets are not suited to the reporting regime of a listed company. In addition, at an operational level, some of our more opportunistic activities are inconsistent with the conservative, process driven, funds management and property consultancy activities.

The Restructure will give shareholders the option to choose the components of the business they will continue to have an interest in. These components are:

1. **Funds Management and Property Services** - This business now has \$500 million of property and debt funds under management and manages more than \$550 million of real estate generating a rent roll of over \$50 million per annum. Following the Restructure the business will operate under a new brand and will seek listing on the ASX. In the near term it will be mandated to actively grow funds under management through merger and acquisition transactions in the property funds management space. This business will earn recurring fee income streams with the aim of generating consistent dividend income for its shareholders.

If approved the Restructure will involve Pelorus shareholders holding shares in the new funds management company pro-rata to their Pelorus shareholding.

In addition we are structuring a new listed Real Estate Investment Trust (to be known as the P-Reit) formed by the merger of the RP Trust with a number of Pelorus' small investment trusts and property investment positions. On listing the P-Reit is expected to have gross assets of approximately \$120 million with gearing of less than 50%. This trust will aim to aggregate small funds management positions to gain control of income producing real estate and generate stable distribution income for its unit holders.

2. **The Bakehouse Quarter** – This project has grown from the adaptive reuse of the old Arnott's Biscuit factory at North Strathfield. Currently the Bakehouse is over 40,000 sqm of commercial, retail and entertainment uses generating net income after debt service of just under \$4 million per annum. The site has historically been constrained by restrictive development controls that are at odds with those of surrounding developments. Discussions with the NSW Department of Planning and the City of Canada Bay Council lead us to believe that there will be a substantial increase in the permitted development on the site. Although this change may entail some form of heritage control we expect that over time the project will grow into a significant commercial precinct with over 100,000 sqm of net lettable area.

Whilst we are confident that these planning outcomes will significantly increase the value of the project they will take time. In addition, significant development at the Bakehouse Quarter will require suburban office rents to grow to a point that development returns justify building and finance costs.

Under the terms of the Restructure, if approved, Pelorus shareholders will be entitled to hold an interest in the Bakehouse Quarter. Those interests will be unlisted. Investors will be given the opportunity to swap their unlisted interest in the Bakehouse Quarter for units in the ASX-listed P-Reit.

3. **Pelorus Private Equity** - Elements of Pelorus' operations are aimed at generating value by counter cyclical, opportunistic and in some cases aggressive investments and ventures. This activity has resulted in the company accumulating a number of property investments and speculative interests that are inconsistent with the more traditional aspects of our business. In addition, often these positions can distort the financial performance of the Group when they are represented in the Group's consolidated financial statements, notwithstanding that they may entail no financial risk to the company. We aim to continue these activities but feel they are more suited to an unlisted structure.

If the transactions described above are approved, Pelorus will change its operations to focus on its non-core opportunistic activities and delist from the ASX. Pelorus shareholders will still hold their shares in what will then be an unlisted public company. As part of the Restructure it is proposed that shareholders holding 500,000 or less Pelorus shares will be offered the opportunity to swap their Pelorus shares for units in the ASX-listed P-Reit.

## **What will Pelorus Shareholders own if the Restructure goes ahead?**

If the Restructure is approved Pelorus shareholders will hold the following:

- **ASX listed shares** in the new funds management and property services business;
- **An unlisted interest in the Bakehouse Quarter** which investors will be given the opportunity to swap into ASX listed units in the P-Reit; and
- **Unlisted shares in Pelorus Property Group Limited** which investors holding 500,000 shares (or less) will be given the opportunity to swap into ASX listed units in the P-Reit.

Pelorus shareholders should note that, if the Restructure is approved, the offers described in bullet points two and three above are not compulsory and they will be free to elect to stay in these unlisted investments.

Documentation setting out the issues to be considered and put to shareholders at the AGM in November 2010 will be issued in the coming months.

## **Dividends**

Given the significant changes proposed to the company the directors have resolved not to declare a dividend for the full year ending 30 June 2010.

## **Financial Statements**

Attached is an Appendix 4E as well as a copy of the Financial Statements of Pelorus and its controlled entities. The result for the full year to June 2009 included only 6 months of trading for the group in it's current structure, so as a result detailed commentary comparing that period to the full year to June 2010 is not relevant.

Please contact us with any questions.

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## Investment Property Carrying Value Reconciliation (Financial Statements Note 15) At 30 June 2010

	Bakehouse Quarter \$ '000	Penrith \$ '000	The Woods \$ '000	Bondi \$ '000	Surry Hills \$ '000	Total \$ '000
Value at 30 June 2009	\$155,515	\$16,500	\$15,000	\$975	\$1,245	\$189,235
Capital improvements/(depreciation)	\$4,780	(\$74)	\$759	-	-	\$5,465
Straight-line lease receivable*	\$60	\$49	\$16	-	-	\$125
Market revaluations	\$4,645	\$25	\$725	-	-	\$5,395
Disposal of investment property	-	-	-	(\$1,210)	(\$1,245)	(\$2,455)
Gain on disposal	-	-	-	\$235	-	\$235
Value at 30 June 2010	\$165,000	\$16,500	\$16,500	-	-	\$198,000
Property debt	(\$77,500)	(\$10,500)	(\$8,000)	-	-	(\$96,000)
Other Financial Liabilities		(\$5,715)		-	-	(\$5,715)
Net property equity	\$87,500	\$285	\$8,500			\$96,285
Property debt to value ratio	47%	64%	48%	-	-	48%

*\*Pursuant to Accounting Standards*



**Pelorus Property Group Limited (ACN 091 209 639)  
And Controlled Entities**

**APPENDIX 4E  
Preliminary Final Report  
For The Year Ended 30 June 2010**

**Results for announcement to the market**

	<b>30-Jun-10</b>	<b>30-Jun-09</b>	<b>% Change</b>
Revenue	\$25,427,569	\$27,031,182	(6%)
Profit before income tax	\$9,005,855	\$9,453,743	(5%)
After tax profit attributable to members	\$7,132,447	\$10,793,471	(34%)

**Explanation of results**

An explanation of results is included in the ASX Announcement accompanying this Appendix 4E.

**Dividends**

No interim or final dividend has been declared.

**Net tangible assets per security**

	<b>30-Jun-10</b>	<b>30-Jun-09</b>
Shares on issue	379,564,893	364,593,893
Net tangible assets per security	\$0.28	\$0.26

**Controlled entity changes**

<b>Entity</b>	<b>Date control gained</b>
Tankstream Funds Management Limited	1-Oct-09
Tankstream Hotels Pty Ltd	1-Oct-09
Armada Securities Limited	28-Jun-10
Armada Investment Management Pty Ltd	28-Jun-10
Armada Holdings Pty Ltd	28-Jun-10

  

<b>Entity</b>	<b>Date no longer controlled</b>
RASP Investments No. 2 Pty Ltd	25-Jun-10
Bakehouse Cellars Pty Ltd	30-Jun-10

Further details are included in the financial statements for the year ended 30 June 2010.

**Associates and joint venture entities**

Please see the financial statements for the year ended 30 June 2010 for details on associates and joint venture entities.

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**Pelorus Property Group Ltd** ABN 45 091 209 639

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**Statement on audit**

The preliminary financial statements for the period ending 30 June 2010 that accompany this report are reported in accordance with Australian Accounting Standards. At the date of this Preliminary Final Report the audit process was near completion. The directors have no reason to believe that the financial statements will be subject to dispute or qualification.

**Dividend reinvestment plan**

Pelorus has a Dividend Reinvestment Plan in operation. Shareholders that wish to participate in the DRP in the future are required to lodge their election form with Pelorus' registry, Registries Ltd. Shareholders can obtain a DRP election form by contacting Registries on (02) 9290 9600 or by visiting [www.registries.com.au](http://www.registries.com.au).

# **Pelorus Property Group Ltd and Controlled Entities**

**ABN 45 091 209 639**

## **Financial Statements**

**For the Year Ended 30 June 2010**



# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Statement of comprehensive income

for the Year Ended 30 June 2010

		Consolidated		Parent	
	Note	2010 \$	2009 \$	2010 \$	2009 \$
Fund / Asset Management Income		2,523,026	1,685,079	2,189,754	1,661,927
Property Services Income		2,989,565	3,255,403	-	-
Property Rental Income		14,862,680	6,768,875	-	-
Investment Income	3(a)	329,214	1,636,548	250,157	1,602,365
Gain / (loss) on disposal of assets		744,150	1,118,515	516,653	(133,488)
Share of associate profit		10,000	-	10,000	-
Gains on acquisition of subsidiaries	13(b)	48,742	12,555,372	48,742	-
Gain / (loss) on exchange differences		3,802	11,390	-	-
<b>Total revenue</b>		<b>25,427,569</b>	<b>27,031,182</b>	<b>3,015,306</b>	<b>3,130,804</b>
Business operating expenses	4(a)	(5,400,152)	(5,132,999)	(1,380,349)	(1,281,164)
Property Outgoings		(3,860,150)	(1,501,789)	-	-
Finance costs	5	(6,845,632)	(2,635,757)	(128)	(8,031)
Other expenses		(315,780)	(238,113)	(197,797)	(353,234)
Unrealised gains / (loss) on revaluation of assets	3(b)	3,916,390	(8,068,781)	(2,338,049)	(5,180,124)
<b>Profit before income tax</b>		<b>9,005,855</b>	<b>9,453,743</b>	<b>(901,017)</b>	<b>(3,691,749)</b>
Income tax (expense) / benefit	6(a)	(1,209,155)	1,357,089	(188,498)	1,360,874
<b>PROFIT FOR THE YEAR</b>		<b>7,796,700</b>	<b>10,810,832</b>	<b>(1,089,515)</b>	<b>(2,330,875)</b>
<b>Other comprehensive income</b>					
Foreign currency translation		4,691	16,020	-	-
Other comprehensive income for the year		4,691	16,020	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>7,801,391</b>	<b>10,826,852</b>	<b>(1,089,515)</b>	<b>(2,330,875)</b>
Profit attributable to:					
Owners of the Company		7,132,447	10,793,471	(1,089,515)	(2,330,875)
Non-controlling interests		664,253	17,361	-	-
		7,796,700	10,810,832	(1,089,515)	(2,330,875)
Total comprehensive income attributable to:					
Owners of the Company		7,137,138	10,809,491	(1,089,515)	(2,330,875)
Non-controlling interests		664,253	17,361	-	-
		7,801,391	10,826,852	(1,089,515)	(2,330,875)
<b>Earnings Per Share:</b>					
<b>Continuing operations:</b>					
Basic earnings per share		\$ 0.02	\$ 0.04	\$ -	\$ -
Diluted earnings per share		\$ 0.02	\$ 0.04	\$ -	\$ -

The accompanying notes form part of these financial statements.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Statement of financial position

at 30 June 2010

		Consolidated		Parent	
	Note	2010 \$	2009 \$	2010 \$	2009 \$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	2,074,242	3,180,771	1,356,816	2,630,799
Trade and other receivables	9	1,184,117	1,064,824	297,479	666,950
Other financial assets	10(a)	7,604,987	2,106,122	9,155,420	5,220,830
Current tax receivable	23	-	214,695	110,091	270,134
Other assets	19	327,123	339,176	-	-
<b>Total current assets</b>		<b>11,190,469</b>	<b>6,905,588</b>	<b>10,919,806</b>	<b>8,778,713</b>
<b>Non-current assets</b>					
Equity accounted investments	11	2,257,606	53,580	2,170,194	44,960
Other financial assets	10(b)	103,636	763,636	75,531,069	77,411,803
Property, plant and equipment	14	355,330	260,982	-	-
Investment properties	15	198,000,000	189,235,000	-	-
Deferred tax assets	23	1,234,857	1,819,413	254,470	223,381
Intangible assets	18	3,647,174	3,322,512	-	-
<b>Total non-current assets</b>		<b>205,598,603</b>	<b>195,455,123</b>	<b>78,059,370</b>	<b>77,680,144</b>
<b>TOTAL ASSETS</b>		<b>216,789,072</b>	<b>202,360,711</b>	<b>88,979,176</b>	<b>86,468,857</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	20	3,224,883	2,515,937	1,704,729	921,384
Current tax payable	23	192,725	-	-	-
Property debt	15	10,500,000	-	-	-
Financial liabilities	21	650,000	-	-	-
Other borrowings	21	500,000	-	-	-
Provisions	22(a)	180,285	197,491	-	-
<b>Total current liabilities</b>		<b>15,247,893</b>	<b>2,713,428</b>	<b>1,704,729</b>	<b>921,384</b>
<b>Non-current liabilities</b>					
Property debt	15	85,500,000	97,415,000	-	-
Other financial liabilities	21	6,270,000	2,950,000	-	-
Provisions	22(a)	5,839	4,500	-	-
<b>Total non-current liabilities</b>		<b>91,775,839</b>	<b>100,369,500</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>107,023,732</b>	<b>103,082,928</b>	<b>1,704,729</b>	<b>921,384</b>
<b>NET ASSETS</b>		<b>109,765,340</b>	<b>99,277,783</b>	<b>87,274,447</b>	<b>85,547,473</b>
<b>EQUITY</b>					
Share capital	24	87,551,064	84,734,575	87,551,064	84,734,575
Reserves		(37,815)	(41,008)	-	-
Retained earnings		21,368,760	14,356,226	(276,617)	812,898
<b>Parent interest</b>		<b>108,882,009</b>	<b>99,049,793</b>	<b>87,274,447</b>	<b>85,547,473</b>
Minority interest		883,331	227,990	-	-
<b>TOTAL EQUITY</b>		<b>109,765,340</b>	<b>99,277,783</b>	<b>87,274,447</b>	<b>85,547,473</b>

The accompanying notes form part of these financial statements.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Statement of changes in equity

For the year ended 30 June 2010

	Ordinary Shares \$	Retained Earnings \$	Asset Revaluation Reserve \$	Foreign Currency Translation Reserve \$	Attributable to owners of the parent \$	Non-controlling interest \$	Total \$
<b>Consolidated</b>							
<b>Balance at 1 July 2008</b>	<b>34,961,702</b>	<b>3,562,755</b>	-	(58,526)	<b>38,465,931</b>	<b>27,165</b>	<b>38,493,096</b>
Total comprehensive income attributable to members	-	10,793,471	-	-	10,793,471	17,361	10,810,832
Additional non-controlling interests arising on acquisition	-	-	-	-	-	183,464	183,464
Revaluation increment (decrement)	-	-	1,498	-	1,498	-	1,498
Issue of options under employee share based payment	5,717	-	-	-	5,717	-	5,717
Issue of shares	49,788,400	-	-	-	49,788,400	-	49,788,400
Cost of issuing equity	(21,244)	-	-	-	(21,244)	-	(21,244)
Difference in opening balance due to foreign exchange difference on foreign entity	-	-	-	16,020	16,020	-	16,020
<b>Balance at 30 June 2009</b>	<b>84,734,575</b>	<b>14,356,226</b>	<b>1,498</b>	<b>(42,506)</b>	<b>99,049,793</b>	<b>227,990</b>	<b>99,277,783</b>
Total comprehensive income attributable to members of the company	-	7,132,446	-	-	7,132,446	664,253	7,796,699
Revaluation increment (decrement)	-	-	(1,498)	-	(1,498)	-	(1,498)
Difference arising on disposal of interest in RASP 2 Pty Ltd	-	(18,071)	-	-	(18,071)	(8,912)	(26,983)
Changes as a result of additional interests acquired	-	(101,841)	-	-	(101,841)	-	(101,841)
Issue of options under employee share based payment	5,717	-	-	-	5,717	-	5,717
Issue of shares	2,820,740	-	-	-	2,820,740	-	2,820,740
Cost of issuing equity	(9,968)	-	-	-	(9,968)	-	(9,968)
Difference in opening balance due to foreign exchange difference on foreign entity	-	-	-	4,691	4,691	-	4,691
<b>Balance at 30 June 2010</b>	<b>87,551,064</b>	<b>21,368,760</b>	-	<b>(37,815)</b>	<b>108,882,009</b>	<b>883,331</b>	<b>109,765,340</b>

The accompanying notes form part of these financial statements.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Statement of changes in equity

For the year ended 30 June 2010

Parent	Ordinary Shares \$	Retained Earnings \$	Total \$
<b>Balance at 1 July 2008</b>	<b>34,961,702</b>	<b>3,143,773</b>	<b>38,105,475</b>
Total comprehensive income attributable to members	-	(2,330,874)	(2,330,874)
Issue of options under employee share based payment	5,717	-	5,717
Issue of shares	49,788,400	-	49,788,400
Cost of issuing equity	(21,244)	-	(21,244)
<b>Balance at 30 June 2009</b>	<b>84,734,575</b>	<b>812,899</b>	<b>85,574,474</b>
Total comprehensive income attributable to members		(1,089,516)	(1,089,516)
Revaluation increment (decrement)			-
Issue of options under employee share based payments	5,717	-	5,717
Issue of shares	2,820,740	-	2,820,740
Cost of issuing equity	(9,968)	-	(9,968)
<b>Balance at 30 June 2010</b>	<b>87,551,064</b>	<b>(276,617)</b>	<b>87,274,447</b>

The accompanying notes form part of these financial statements.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Statement of cash flows

For the year ended 30 June 2010

	Note	Consolidated		Parent	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>Cash flows from operating activities:</b>					
Receipts from customers		20,455,512	11,694,933	2,278,855	1,724,880
Payments to suppliers and employees		(9,573,943)	(6,913,195)	(423,181)	(1,624,196)
Dividends and distributions received		184,738	1,006,918	180,158	1,123,623
Interest paid		(6,817,518)	(2,635,757)	-	(8,031)
Interest received		220,210	614,309	145,449	146,757
Income tax received		269,204	-	269,204	-
Income tax paid		(489,183)	(662,175)	(560,299)	(711,224)
<b>Net cash provided by / (used in) operating activities</b>	8(a)	<b>4,249,019</b>	<b>3,105,033</b>	<b>1,890,186</b>	<b>651,809</b>
<b>Cash flows from investing activities:</b>					
Proceeds from sale of investment properties		600,000	-	-	-
Purchase of land		282,435	-	-	-
Proceeds from sale of investments		5,071,859	9,329,538	4,959,899	727,534
Acquisition of property, plant and equipment		(111,700)	(24,710)	-	-
Acquisition of other investments		(3,527,536)	(2,278,876)	(3,427,536)	(387,724)
Acquisition of subsidiaries, net of cash acquired		(126,682)	(96,989)	(126,682)	(1,155,100)
Proceeds from disposal of subsidiaries, net of cash disposed		36,000	-	36,000	-
Loans to employees		-	(18,904)	-	-
Repayment from employees		-	38,678	-	-
Payment for development of investment properties		(6,094,400)	(3,243,124)	-	-
Proceeds from loans repaid		(1,174,026)	(2,196,712)	-	-
Loans acquired and repaid		267,223	(8,742,983)	-	-
Loans to related parties		-	-	(13,880,780)	14,347,597
Repayments from related parties		-	548,752	9,284,898	(15,778,123)
<b>Net cash provided by / (used in) investing activities</b>		<b>(5,341,697)</b>	<b>(6,685,330)</b>	<b>(3,154,201)</b>	<b>(2,245,816)</b>
<b>Cash flows from financing activities:</b>					
Proceeds from the issue of share capital		-	686,243	-	686,243
Transaction costs for issue of shares		(9,968)	-	(9,968)	-
Merger transaction costs		-	(346,091)	-	(346,091)
Proceeds from borrowings		-	2,000,000	-	-
Dividends paid by parent entity		-	(120,347)	-	(120,347)
<b>Net cash provided by / (used in) financing activities</b>		<b>(9,968)</b>	<b>2,219,805</b>	<b>(9,968)</b>	<b>219,805</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,102,646)</b>	<b>(1,360,492)</b>	<b>(1,273,983)</b>	<b>(1,374,202)</b>
Cash on 1 July 2009		3,180,771	4,561,003	2,630,799	4,005,001
Effect of exchange rates on cash holdings		<b>(3,883)</b>	<b>(19,740)</b>	-	-
<b>Cash and cash equivalents at end of period</b>	7(b)	<b>2,074,242</b>	<b>3,180,771</b>	<b>1,356,816</b>	<b>2,630,799</b>

The accompanying notes form part of these financial statements.

# **Pelorus Property Group Ltd and Controlled Entities**

ABN 45 091 209 639

## **Notes to the Financial Statements**

30 June 2010

### **1 Statement of Significant Accounting Policies**

#### **General information**

##### **Introduction**

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

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

The financial report for Pelorus Property Group Ltd and controlled entities for the year ended 30 June 2010 was authorised for issue in accordance with the resolution of the directors in August 2010.

The financial report of Pelorus Property Group Ltd and Controlled Entities, and Pelorus Property Group Ltd as an individual parent entity comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

#### **Basis of Preparation**

##### **Reporting Basis and Conventions**

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

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 has also elected under s.334(5) of the Corporations Act 2001 to apply AASB 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.

#### **Presentation of financial statements**

##### **Presentation currency**

Both the functional and presentation currency of Pelorus Property Group Limited and its Australian subsidiaries is Australian dollars. The New Zealand subsidiary's functional currency is New Zealand Dollars, which is translated to presentation currency (refer to Foreign Currency Translation note below).

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 1 Statement of Significant Accounting Policies continued

#### Comparative Figures

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

#### Principles of Consolidation

##### Controlled entities

The consolidated financial statements comprise the financial statements of Pelorus Property Group Limited and its subsidiaries as at 30 June 2010. A list of controlled entities is contained in Note 30 to the financial statements. All controlled entities have a June financial year-end and use consistent accounting policies.

Investments in subsidiaries held by Pelorus Property Group Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition (refer to Business Combination note below).

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

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

##### Inter-company balances

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

##### Non controlling interests

Non controlling interests not held by the Group are allocated their share of net profit and comprehensive income after tax in the statement of comprehensive income and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 1 Statement of Significant Accounting Policies continued

#### Business combinations

AASB 3(2008) Business Combinations applies prospectively to business combinations for which the acquisition date is on or after 1 July 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 and RASP Investments Pty Ltd in the current period. Refer to Note 13 for details of the acquisitions.

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;
- 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.



# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 1 Statement of Significant Accounting Policies continued

#### Critical accounting estimates and judgments

##### General

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

##### *Key estimates - Impairment*

The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. The directors believed it appropriate to raise impairment provisions against financial assets, loans and receivables and goodwill in the year ended 30 June 2010. Financial asset provisions have been raised with reference to the prevailing prices at 30 June 2010 of held for trading assets. Goodwill in relation to the RFML Limited acquisition has been impaired given management's assessment of the benefits to be received of the cash generating unit it belongs to.

#### Foreign currency translation

##### Group companies

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

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

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

#### Property, Plant and Equipment

##### General Information

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

##### Plant and equipment

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

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 1 Statement of Significant Accounting Policies continued

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

#### Depreciation

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

#### Useful life

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

Furniture, Fixtures and Fittings	over 2 to 5 years
Office Equipment	over 2 to 5 years
Motor Vehicles	over 5 to 8 years

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

#### Disposal

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

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

#### Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise. Included in the value measurement are adjustments for straight lining of lease income.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 1 Statement of Significant Accounting Policies continued

#### **Impairment of Asset**

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

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

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

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

#### **Research and development**

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

#### **Financial Instruments**

##### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of the asset.

##### **Derivative instruments**

The Group uses derivative financial instruments (interest rate swaps) to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss for the year.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 1 Statement of Significant Accounting Policies continued

#### Non-derivative financial instruments

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

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

#### Recognition

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

#### Held-for trading financial assets

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

#### Loans and receivables

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

#### Available-for-sale financial assets

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

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 1 Statement of Significant Accounting Policies continued

#### Financial liabilities

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

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

#### Fair value

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments in related party unlisted unit trusts, fair values are determined by reference published unit prices of these investments which are based on the net tangible assets of each of the investments.

#### Impairment

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

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

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

Impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial instruments measured at amortised cost, the reversal is recognised in profit and loss.

#### Intangibles

##### Goodwill

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

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 1 Statement of Significant Accounting Policies continued

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with AASB 8 *Segment Reporting*.

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

As at 30 June 2010, the Goodwill in relation to the purchase of Reed Funds Management Limited (RFML) has been impaired. Refer to note 18 for details of the impairment of RFML goodwill.

#### Investments in Associates

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

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

# **Pelorus Property Group Ltd and Controlled Entities**

ABN 45 091 209 639

## **Notes to the Financial Statements**

30 June 2010

### **1. Statement of Significant Accounting Policies continued**

#### **Interests in joint ventures**

The Group has an interest in joint ventures that are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operations by recognising its interests in the assets and the liabilities of the joint ventures. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of services by the jointly controlled operations.

#### **Cash and Cash Equivalents**

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

#### **Trade and other receivables**

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

The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

#### **Trade and other payables**

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

#### **Interest-bearing borrowings**

Interest-bearing borrowings are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2010

## 1. Statement of Significant Accounting Policies continued

### Employee Benefits

#### Defined contribution plans

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

#### Other long-term employee benefits

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

#### Short-term benefits

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

### Provisions

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

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



# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 1. Statement of Significant Accounting Policies continued

#### Revenue

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

Revenue from property services contracts is recognised monthly in arrears.

#### Property income

Property income comprises rental and recovery of outgoings from property tenants. It is recognised when it becomes legally due and payable to the Property Owner.

#### Investment income

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

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

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

Trust distributions are recognised when they are declared by the Trustee or responsible entity.

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

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

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 1. Statement of Significant Accounting Policies continued

#### Income Tax

##### Current Income Tax expense

The charge for current income tax expense is based on the profit year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

##### Accounting for deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

##### Deferred tax calculation

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

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

##### Deferred income tax assets

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

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

##### Benefit brought to account

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

##### Tax consolidations

Pelorus Property Group Limited has elected to form a tax consolidated group with its wholly owned entities for income tax purposes under the tax consolidation regime with effect from 1 July 2005. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Pelorus Property Group Limited.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 1. Statement of Significant Accounting Policies continued

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

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

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

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

#### Goods and Services Tax (GST)

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

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

#### Earnings per share

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

#### New, revised or amending Standards and Interpretations

The consolidated entity has adopted all of the new, revised or amending Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant and effective for the current reporting period.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these accounting standards and interpretations are disclosed in the relevant accounting policy.

The adoption of these Standards and Interpretations did not have any impact on the financial performance or position of the consolidated entity. The following Standards and Interpretations are most relevant to the consolidated entity:

##### *AASB 101 Presentation of Financial Statements ('AASB 101')*

The consolidated entity has applied the revised AASB 101 from 1 July 2009 and now presents a statement of comprehensive income, which incorporates the income statement and all non-owner changes in equity. As a result, the consolidated entity now presents all owner changes in the

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 1. Statement of Significant Accounting Policies continued

statement of changes in equity. The balance sheet is now referred to as the statement of financial position. There is a requirement to present a third statement of financial position if there is restatement of comparatives through either a correction of error, change in accounting policy or a reclassification. The cash flow statement is now referred to as the statement of cash flows.

#### *AASB 3 Business Combinations ('AASB 3')*

The consolidated entity has applied the revised AASB 3 for all new business combinations acquired on or after 1 July 2009. As well as the expensing of transaction costs and minority interest now being referred to as non-controlling interest, there are a number of significant changes - refer to the 'business combinations' accounting policy for further details.

#### *AASB 127 Consolidated and Separate Financial Statements ('AASB 127')*

The consolidated entity has applied the revised AASB 127 from 1 July 2009. The revised standard requires changes in ownership interest of a subsidiary without a change in control to be accounted for as a transaction with owners in their capacity as owners. It also changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary - refer to the 'principles of consolidation' accounting policy for further details.

#### *AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

This amendment is applicable from 1 July 2009 and removes references to the cost method. The distinction between pre and post acquisition profits is no longer relevant as all dividends are now recognised in profit or loss - refer to the 'principles of consolidation' accounting policy for further details.

#### *AASB 7 Financial Instruments: Disclosure ('AASB 7')*

This amended standard is applicable from 1 July 2009 and requires additional disclosure about fair value measurement of financial instruments, using a three level fair value hierarchy. The amendments also clarify the disclosure requirements about liquidity risks for derivative transactions and assets used for liquidity management.

#### *AASB 8 Operating Segments ('AASB 8')*

The consolidated entity has applied AASB 8, which replaces AASB 114 'Segment Reporting', from 1 July 2009. AASB 8 requires a management approach to segment reporting based on the information reported internally. Refer to note 3.

### **New Standards & Interpretations not yet effective**

#### *AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2010. These amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main change is the removal of specific guidance on

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 1. Statement of Significant Accounting Policies continued

classifying land as a lease in AASB 117 'Leases', which may result in more land leases being classified as finance leases. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

#### *AASB 2009-8 Amendments to AASB 2 - Group Cash-settled Share-based Payment Transactions*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2010. These amendments clarify the scope of AASB 2 'Share-Based Payment' by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the consolidated entity settles the transaction, and no matter whether the transaction is settled in shares or cash. These amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence

these two Interpretations are superseded by these amendments. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

#### *AASB 2009-10 Amendments to AASB 132 – Classification of Rights Issues*

These amendments are applicable to annual reporting periods beginning on or after 1 February 2010. These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

#### *AASB 2009-12 Amendments to Australian Accounting Standards*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

#### *AASB 9 Financial Instruments and 2009-11 Amendments Australian Accounting Standards arising from AASB 9*

This standard and consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. This standard introduces new classification and measurement models for financial assets as part of phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). It uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. The standard also removes the impairment requirements for financial assets held at fair value. The accounting for financial liabilities has not been amended by the IASB and continues to be classified and measured in accordance with AASB 139. The consolidated entity will adopt this standard from 1 July 2011 but the impact of its adoption is yet to be assessed by the consolidated entity.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 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.

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 Groups operations and reporting lines are better represented by consolidating all of the fee earning operating property businesses within the Fund and 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 at an arms length basis.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 2 Segment Reporting continued

	Fund / Asset Management	Investments	Corporate	Consolidated Total
	\$	\$	\$	\$
<b>Year ended 30 June 2010</b>				
<b>Revenue</b>				
Sales to external customers	5,522,591	15,939,845		21,462,436
Gains on acquisition	-	48,742		48,742
Unrealised (loss) / gains on revaluation assets	-	3,916,390		3,916,390
Inter-segment sales	672,281	-		672,281
Total segment revenue	6,194,872	19,904,978		26,099,850
Inter-segment eliminations				(672,281)
<b>Total consolidated revenue</b>				<b>25,427,569</b>
<b>Business Operating Expenses</b>	(3,383,785)	(406,726)	(1,609,642)	(5,400,153)
Property Outgoings	-	(3,860,150)	-	(3,860,150)
Finance Costs	(35,470)	(6,810,163)	-	(6,845,632)
Other Expenses	(221,046)	-	(94,734)	(315,780)
Inter-segment expenses	-	(672,281)	-	(672,281)
Total Segment Expenses	(3,640,301)	(11,749,320)	(1,704,376)	(17,093,996)
Inter-segment eliminations				672,281
<b>Total Consolidated Expenses</b>				<b>(16,421,715)</b>
<b>Profit Before Income Tax</b>	<b>2,554,572</b>	<b>8,155,442</b>	<b>(1,704,376)</b>	<b>9,005,855</b>
<b>Other Comprehensive Income</b>				
Foreign currency translation	4,691	-	-	4,691
<b>Total Comprehensive Income For The Year Before Income Tax</b>	<b>2,559,263</b>	<b>8,155,442</b>	<b>(1,704,376)</b>	<b>9,010,545</b>
<b>As At 30 June 2010</b>				
Segment Assets	8,926,479	207,862,592		216,789,071
<b>Total Assets</b>				<b>216,789,071</b>
Segment Liabilities	(2,828,538)	(104,195,194)		(107,023,732)
<b>Total Liabilities</b>				<b>(107,023,732)</b>
<b>Net Assets</b>	<b>6,097,941</b>	<b>103,667,399</b>		<b>109,765,339</b>

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 2 Segment Reporting continued

	Fund & Asset Management	Investments	Corporate	Consolidated Total
	\$	\$	\$	\$
<b>Year Ended 30 June 2009</b>				
<b>Revenue</b>				
Sales to external customers	4,940,482	8,405,421	-	13,345,903
Gain on acquisition	-	-	12,555,372	12,555,372
Unrealised (loss) / gains on revaluation assets	-	-	(6,938,874)	(6,938,874)
Inter-segment sales	456,589	-		456,589
Total segment revenue	5,397,071	8,405,421	5,616,498	19,418,990
Inter-Segment eliminations				(456,589)
<b>Total Consolidated revenue</b>				<b>18,962,401</b>
<b>Expenses</b>				
Total Segment Expenses	(3,684,036)	(5,770,781)	(510,430)	(9,965,247)
<b>Total Consolidated Expenses</b>				<b>(9,965,247)</b>
<b>Profit Before Income Tax</b>	<b>1,713,035</b>	<b>2,634,640</b>	<b>5,106,068</b>	<b>9,453,743</b>
<b>Other Comprehensive Income</b>				
Foreign currency translation				
<b>Total Comprehensive Income for the Year Before Income Tax</b>	<b>1,713,035</b>	<b>2,634,640</b>	<b>5,106,068</b>	<b>9,453,743</b>
<b>As at 30 June 2009</b>				
Segment Assets	6,751,580	195,609,131		202,360,711
<b>Total Assets</b>				<b>202,360,711</b>
Segment Liabilities	(1,317,980)	(101,764,948)		(103,082,928)
<b>Total Liabilities</b>				<b>(103,082,928)</b>
<b>Net Assets</b>	<b>5,433,600</b>	<b>93,844,183</b>		<b>99,277,783</b>



# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 3 Revenue

#### (a) Investment income

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
Dividends and distributions		109,287	1,006,918	104,708	1,123,623
Finance income	5	219,927	629,630	145,449	478,742
Total investment income		329,214	1,636,548	250,157	1,602,365

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

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Revaluation of interest rate hedges	1,587,481	1,400,000	-	-
Provision for impairment of other financial assets	(1,723,686)	-	(2,215,068)	-
Provision for loans impairment	(994,780)	(46,185)	(403,491)	-
Goodwill impairment	(356,877)	-	-	-
Change in fair value of listed securities	280,510	(24,860)	280,510	(24,860)
Change in fair value of The Woods	724,629	-	-	-
Change in fair value of Mulgoa Rd, Penrith	(143,548)	(3,036,550)	-	-
Change in fair value of The Bakehouse Quarter	4,542,661	(6,361,186)	-	(5,155,264)
Unrealised (loss)/ gains on revaluation of assets	3,916,390	(8,068,781)	(2,338,049)	(5,180,124)

Impairments of other financial assets relate to the Group's investments in the Pelorus Pub Fund, RP Trust and Tankstream Property Investment Fund which were all acquired during the year. They are classified as Held for Trading assets.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 4 Business operating expenses

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Employee & Consultants costs	3,820,124	3,937,539	970,717	923,459
Occupancy costs	211,966	207,360	-	-
Depreciation expenses	97,922	75,488	-	-
Administration expenses	1,270,141	912,611	409,632	357,705
Total business operating expenses	5,400,152	5,132,999	1,380,349	1,281,164

### 5 Finance income and expense

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Finance income				
Interest income on bank deposits	74,126	208,326	48,843	151,912
Interest income on loans and receivables	145,801	421,304	96,606	326,750
Total finance income	219,927	629,630	145,449	478,662
Finance expense:				
Interest expense on financial liabilities measured at amortised cost	(6,845,632)	(2,635,757)	(128)	(8,031)
Total finance expense	(6,845,632)	(2,635,757)	(128)	(8,031)
Net finance income and expense	(6,625,705)	(2,006,127)	145,321	470,631

Finance expenses have increased in the current period. The increase is due to the Group's acquisition of a number of subsidiaries that held property debt in the second half of the 2009 financial year. The current year finance expense reflects the first full year of contribution by these entities to income and expenses.

### 6 Income Tax Expense

(a) The components of tax expense comprise:

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Current tax	542,641	187,048	181,446	302,017
Relating to origination and reversal of temporary differences	667,444	(1,544,035)	7,982	(1,526,247)
Over/ (under) provision in prior year	(930)	(102)	(930)	(136,644)
Total income tax expense / (benefit)	1,209,155	(1,357,089)	188,498	(1,360,874)

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 6. Income Tax Expense continued

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

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2008: 30%)				
- Consolidated entity	2,707,191	2,836,123	(284,928)	(1,107,619)
Add:				
- Tax effect of:				
- Entertainment	7,513	4,345	-	-
- Impaired goodwill	107,063	-	-	-
- Provisions and write downs	634	-	540,000	-
- Options expenditure	-	1,715	-	1,715
- Gross up imputation credits	-	1,364	-	1,364
- Penalties	990	198	396	67
- Under provision in prior year	-	-	-	-
- Tax rate differential of foreign subsidiary	-	19,596	-	-
Less:				
Tax effect of:				
- Costs of issuing equity	(103,903)	115,304	(103,903)	115,304
- Deferred acquisition consideration write back	(33,000)	-	(33,000)	-
- Revaluation and impairments	(1,395,051)	-	-	-
- Gains on acquisition of investments	(27,604)	-	-	-
- Investment allowance	-	919	-	-
- Imputation credits offset	-	4,546	-	4,546
- Discount on acquisition (consolidation adj)	-	3,903,353	-	-
- Losses recouped	-	59,663	-	-
- Over provision in prior year	-	3,825	(930)	3,731
- Correction of prior year Deferred Tax Assets	54,678	132,820	70,862	132,820
Income tax attributable to entity	1,209,155	(1,357,089)	188,497	(1,360,874)

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 7. Cash and Cash Equivalents

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash on hand	4,123	500	-	-
Cash at bank	2,070,119	3,180,221	1,356,816	2,630,799
Total cash and cash equivalents	2,074,242	3,180,771	1,356,816	2,630,799

#### (a) Effective Interest Rate

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

#### (b) Reconciliation of Cash

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and cash equivalents	2,074,242	3,180,771	1,356,816	2,630,799
Deposits on call	-	-	-	-
Bank Overdraft	-	-	-	-
<b>Cash and cash equivalents</b>	<b>2,074,242</b>	<b>3,180,771</b>	<b>1,356,816</b>	<b>2,630,799</b>

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 8 Cash Flow Information

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

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net income for the period	7,796,484	10,810,832	(1,089,515)	(2,330,875)
Non-cash flows in profit				
Straightline lease income	(125,150)	-	-	-
Revenue from Associates	(10,000)	-	(10,000)	-
Depreciation	97,922	202,068	-	-
Share based payments	5,717	-	5,717	-
Net (gain)/loss on disposal of investments	(744,150)	(1,118,515)	(516,654)	133,488
Unrealised (gains)/losses on investments	(48,742)	(12,555,372)	(48,742)	-
Provision of impairment of loans	-	-	403,492	-
Revaluations, write downs and impairments of assets	(4,273,267)	7,942,201	2,338,178	5,180,124
Impairment of goodwill	356,877	-	-	-
Unrealised (gains)/losses in foreign exchange	(3,883)	(11,392)	-	-
Bad debts expenses	-	117,605	-	-
Cost associated with share issuance recognised in equity	-	(15,527)	-	330,563
Amortisation of borrowing costs	28,120	(21,405)	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
(Increase)/decrease in trade and term receivables	(1,327,929)	(551,820)	42,630	(73,721)
(Increase)/decrease in other receivables	52,525	(11,226)	425,450	54,476
(Increase)/decrease in loan receivables	-	(51,211)	-	(358,582)
(Increase)/decrease in prepayments	(53,836)	(252,414)	-	-
(Increase)/decrease in unearned revenue	73,029	31,693	-	-
Increase/(decrease) in trade payables and accruals	1,447,054	573,222	845,717	(211,566)
Increase/(decrease) in income taxes payable	(179,139)	(516,708)	(294,110)	(413,031)
Increase/(decrease) in deferred tax balances	1,173,256	(1,502,556)	191,514	(1,659,067)
Increase/(decrease) in provisions	(15,867)	35,558	-	-
<b>Cashflow from operations</b>	<b>4,249,020</b>	<b>3,105,033</b>	<b>1,890,185</b>	<b>651,809</b>

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 9 Trade and Other Receivables

		Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>CURRENT</b>					
Trade receivables		845,461	634,953	297,479	241,500
Cash/Deposit held on trust	(a)	282,435	350,000	-	350,000
Deposits		56,046	4,421	-	-
Distributions receivable		-	75,450	-	75,450
Sundry receivables		175	-	-	-
Total trade and other receivables		1,184,117	1,064,824	297,479	666,950

- (a) 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 in September 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 under "Cash/Deposits held on trust".

### 10 Financial Assets

#### (a) Current Financial Assets

		Consolidated		Parent	
		2010	2009	2010	2009
	Note	\$	\$	\$	\$
Held For Trading	10(c)	5,742,138	296,800	1,912,650	292,800
Loans and receivables	10(d)	1,862,849	1,809,322	7,242,770	4,928,030
Total current financial assets		7,604,987	2,106,122	9,155,420	5,220,830

#### (b) Non-Current Financial Assets

Other financial assets	10(e)	103,636	763,636	103,636	763,636
Investment in controlled entities		-	-	75,531,069	76,648,167
Total non-current financial assets		103,636	763,636	75,634,706	77,411,803

Investment in controlled entities is recorded at cost.

#### (c) Held-For-Trading Financial Assets

Listed securities		683,100	296,800	683,100	292,800
Units in related party unlisted unit trusts		5,059,038	660,000	1,229,550	660,000
Total held-for-trading financial assets		5,742,138	956,800	1,912,650	952,800

The increase in held for trading assets is due to the acquisition of units in various managed investment schemes that members of the group act as responsible entity for. The Group now holds units in RP Trust, Pelorus Telstra House Trust, Tankstream Property Investment Fund, and Pelorus Pub Fund (see note 12). These investments were acquired for a combination of issued equity and asset swaps.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 10. Financial Assets continued

#### (d) Loans and Receivables

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Loans and receivables to related parties	1,727,696	1,080,809	315,000	475,476
Loans and receivables to non-related party	135,153	728,513	-	-
Loans and receivables to controlled entities	-	-	6,927,770	4,452,554
Total loans and receivables	1,862,849	1,809,322	7,242,770	4,928,030

#### (e) Other Financial Assets

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Other financial assets	103,636	103,636	103,636	103,636
Total other financial assets	103,636	106,636	103,636	103,636

### 11 Investments Accounted for Using the Equity Method

		Consolidated		Parent	
	Note	2010	2009	2010	2009
		\$	\$	\$	\$
Interest in joint venture entity	12	5,401	34,960	5,401	34,960
Associated entities	12	2,252,205	18,620	2,164,793	10,000
Total investments		2,257,606	53,580	2,170,194	44,960

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 12 Associated Entities

Name	Principal Activities	Country of Incorporation	Ownership Interest		Carrying Amount of Investment	
			30 June 2010	30 June 2009	30 June 2010	30 June 2009
			%	%	\$	\$
Pelorus Storage Advantage Pty Limited	Property management company	Australia	33	33	-	10,000
Pelorus Pub Fund	Pub owner	Australia	28.80	-	2,229,296	-
APG Asset Management Pty Ltd	Financial services and management company	Australia	50	-	5,000	-
Pelathon Management Group Pty Ltd	Pub management company	Australia	40	-	14,000	-
Pelorus Private Clients Pty Ltd	Financial services and management company	Australia	50	-	401	-
WT Retail Services (India) Private Limited	Property management company	India	50	50	-	34,960
Trentham City Investments Limited	Shopping centre	New Zealand	40	40	8,909	8,620
					<u>2,257,606</u>	<u>53,580</u>

In August 2009, the Group acquired a 40% interest in Pelathon Management Group Pty Ltd, a pub management company incorporated in Australia. The company provides management services to the seven pubs in the Pelorus Pub Fund as well as two other external pubs. The consideration for the acquisition was \$4,000.

In January 2010 the Group acquired units in the Pelorus Pub Fund paid for by the issuance of Pelorus share capital to the value of \$2,820,740. These shares are in escrow.

APG Asset Management Pty Ltd is a joint venture entity that provides asset management services to the newly formed managed investment scheme Pelorus Telstra House Trust. The interests in the entity were acquired in February 2010 for \$5,000.

The Group acquired a 50% interest in Pelorus Private Clients Pty Ltd (PPC) in April 2010. PPC is a fund management entity that specialises in structuring private investment syndicates for high net worth individuals. Consideration of \$401 was paid for the interests.



# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 13 Acquisition and Disposal of Subsidiaries

#### (a) Acquisition of Tankstream Funds Management Limited (TFML)

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 and asset management income streams. TFML is the responsible entity of the Tankstream Property Investment Fund 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
<b>Goodwill on acquisition</b>	<b>709,659</b>
Net cash inflow:	Cash inflow / (outflow)
Cash acquired	4,575
Less: payment for share capital (ii)	(180,000)
<b>Net cash outflow</b>	<b>(175,425)</b>

- (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. At 30 June 2010 the vendors are no longer employed by the group and all consideration has been paid or reversed.

#### Impact of acquisition on the results of the Group

Included in the profit for the period is \$366,799 attributable to TFML. Revenue for the period includes \$523,242 in respect of TFML.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 13 Acquisition and Disposal of Subsidiaries continued

#### (b) Acquisition of RASP Investments Pty Ltd

On 21 June 2010, the Group acquired a further 50% interest in RASP Investments Pty Ltd (RASP).

The gain on acquisition is shown in the parent entity accounts at 30 June 2010.

	<b>Recognised values on acquisition</b>
	<b>\$</b>
Cash and cash equivalents	81,402
Net identifiable assets and liabilities	81,402
	<b>Consideration</b>
	<b>\$</b>
Cash	32,660
Total consideration	32,660
<b>Gain on acquisition</b>	<b>48,742</b>
<b>Net cash inflow:</b>	<b>Cash inflow / (outflow)</b>
Cash acquired	81,402
<b>Net cash outflow</b>	<b>81,402</b>

#### Impact of acquisition on the results of the Group

Included in the profit for the period is \$203,250 attributable to RASP. Revenue for the period includes \$296,579 in respect of RASP.

#### (c) Disposal of RASP 2 Investments Pty Ltd

During the period, the Group disposed of 50% of its interest in RASP 2 Investments Pty Ltd (RASP 2), reducing its continuing interest to 0%. The proceeds on disposal of \$36,000 were received in cash.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 14 Property Plant and Equipment

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Furniture, fixtures and fittings		
At cost	353,867	263,030
Less accumulated depreciation	(143,183)	(104,118)
Total furniture, fixtures and fittings	<u>210,684</u>	<u>158,912</u>
Office equipment		
At cost	286,210	232,145
Less accumulated depreciation	(176,501)	(130,075)
Total Office equipment	<u>109,709</u>	<u>102,070</u>
Motor vehicles		
At cost	48,000	-
Less accumulated depreciation	(13,063)	-
Total Motor vehicles	<u>34,937</u>	<u>-</u>
Total Property, plant and equipment	<u><u>355,330</u></u>	<u><u>260,982</u></u>

No property plant and equipment is held by the Parent

#### (a) Movements in Carrying Amounts

	<b>Consolidated</b>			
	<b>Furniture, Fixtures and Fittings</b>	<b>Office Equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>30 June 2010</b>				
Balance at the beginning of year	158,912	102,07	-	260,982
Additions	90,837	53,435	48,000	192,272
Disposals	-	-	-	-
Depreciation expense	(39,065)	(45,796)	(13,063)	(97,924)
Balance at the end of year	<u>210,684</u>	<u>109,709</u>	<u>34,937</u>	<u>355,330</u>
<b>30 June 2009</b>				
Balance at the beginning of year	199,373	105,38	-	304,760
Additions	1,600	32,141	-	33,741
Disposals	(6,187)	(7,347)	-	(13,534)
Depreciation expense	(35,874)	(28,111)	-	(63,985)
Carrying amount at the end of year	<u>158,912</u>	<u>102,07</u>	<u>-</u>	<u>260,982</u>

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 15 Investment Properties and Property Debt

	Bakehouse Quarter \$ '000	Penrith \$ '000	The Woods \$ '000	Bondi \$ '000	Surry Hills \$ '000	Total \$ '000
Investment property fair value at 30 June 2009	155,515	16,500	15,000	975	1,245	189,235
Capital improvements/(depreciation)	4,780	(74)	759	-	-	5,465
Straight-line lease receivable	60	49	16	-	-	125
Revaluations	4,645	25	725	-	-	5,395
Disposal of investment property	-	-	-	(1,210)	(1,245)	(2,455)
Gain on disposal	-	-	-	235	-	235
Investment property fair value at 30 June 2010	165,000	16,500	16,500	-	-	198,000
Property debt	(77,500)	(10,500)	(8,000)	-	-	(96,000)
Other financial liabilities	-	(5,715)	-	-	-	(5,715)
Net property equity	87,500	285	8,500	-	-	96,285
Property debt to value ratio	47%	64%	48%	-	-	48%

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. In February 2010 the Western precinct of the Bakehouse Quarter was independently valued at \$66.2 million on a site-by-site basis. This reflected a yield of 8% on completed elements. The Eastern precinct is currently undergoing an independent valuation. The director's value adopted at 30 June 2010 of just under \$98.8 million for the Eastern precinct has adopted the methodology and yield assumptions inherent in the Western independent valuation. Following the Western independent valuation the limit on the facility secured against this side of the property was reduced to \$37.8 million from \$39 million. It has an expiry date of September 2011 and has \$300,000 of the facility undrawn. The remaining debt secured against the property expires in September 2012 and has a limit of \$40 million, which is fully drawn.

The Penrith property is a bulky goods retail centre known as 120 Mulgoa Road, Penrith, Sydney. The property was independently valued at 30 June 2010 at \$16.5 million that reflects an initial yield of 9.1%. The debt secured against the property matures in May 2011 and is fully drawn at \$10.5 million. Other Financial Liabilities refers to the interests in the property of the Pelorus Penrith Fund No.2. (PPF2). PPF2 has a hybrid property investment vehicle with a \$6,000,000 interest in the property secured by a registered second mortgage. The Group holds 285,000 units in the fund, which represents Net property equity. Any increase in the value of the property above \$16.5 million (that is Property Debt plus Other Financial Liabilities) will accrue to the Group.

It is management's belief that the independent valuation methodologies adopted on both of the above properties reflect a prevailing negative property market sentiment. However management also considers that if the properties were put to market they may achieve a price that is significantly higher than that calculated by the independent valuation methodologies adopted.

The Woods is a conversion of a 9,000 sqm failed bulky goods retail site into a mixed-use action centre situated on Woodville Road, Villawood, Sydney. The property is now fully leased with the last two tenants, an indoor climbing gym and indoor go kart operator commencing trade in the last 6 months. The debt secured against the property is due to mature in September 2012 and is fully drawn at \$8 million. The current fair value of \$16.5 million is a directors' valuation that reflects a capitalisation rate of 9.25%.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 15 Investment Properties and Property Debt continued

In arriving at fair value of the properties the directors consider the discounted cashflows of the investment property based on estimates of future cash flows, recent prices for similar properties and capitalised income projections based on the properties' net market income.

The Bondi and Surry Hills properties were residential properties providing short term accommodation to working tourists. The Bondi property was sold in June 2010 for \$1.21 million resulting in a gain on disposal of over \$200 thousand. Pelorus' interest in the Surry Hills property was sold to its partners resulting in the property and debt leaving the Pelorus balance sheet.

### 16 Lease Commitments Receivable

The Group leases out its investment property held under operating leases. The future minimum lease payments receivable are disclosed below.

	<b>Rent Receivable</b>
	<b>\$</b>
Receivable within 1 year	12,035,952
Receivable within 1-5 years	30,404,210
Receivable more than 5 years	15,299,194
<b>Total</b>	<b>57,739,356</b>

### 17 Income and expenses from direct property investments

	<b>Consolidated</b>	
	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>\$</b>	<b>\$</b>
<b>Income</b>		
Direct Property Investment Income	14,862,680	6,768,875
<b>Expenses</b>		
Direct Property Outgoings	(3,860,150)	(1,501,789)
Finance costs	(6,845,632)	(2,635,757)

There has been a significant increase in direct property income and expenses in the current period when compared to the comparable June 2009 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.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 18 Intangible Assets

	Consolidated	
	2010	2009
	\$	\$
Goodwill		
Goodwill on consolidation	3,964,110	3,254,451
Accumulated impairment losses	(356,877)	-
Net carrying value	3,607,233	3,254,451
Development costs		
At cost	-	620
Net carrying value	-	620
Capitalised borrowing costs		
Cost	39,941	67,441
Net carrying value	39,941	67,441
Total Intangibles	3,647,174	3,322,512

Goodwill as at 30 June 2009	3,254,451
Adjustment to 2009 goodwill	-
Opening goodwill July 2010	3,254,451
Goodwill recognised on acquisition of TFML	709,659
Impairment of RFML Goodwill	(356,877)
Goodwill as at 30 June 2010	3,607,233

Goodwill was acquired through the acquisition of 100% of the issued capital of Tankstream Funds Management Limited on 1 October 2009. Refer to note 13 for further details.

Following an analysis of the recoverable amount of the RFML cash generating unit it was resolved to impair all of the goodwill in relation to the acquisition of RFML. The recoverable amount reflects RFML's value in use which was calculated with reference to a discounted cash flow of future net income using a discount rate of 10%.

### 19 Other Assets

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
CURRENT				
Prepayments	327,123	23,606	-	-
Other assets	-	315,570	-	-
Total other assets	327,123	339,176	-	-

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 20 Trade and Other Payables

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Trade payables	2,725,875	1,823,321	1,740,329	401,276
Consideration payable re RFML	-	350,000	-	350,000
Intercompany tax payable	-	-	-	114,970
Deposits Payable	95,794	89,893	-	-
GST payable/ (receivable)	263,352	152,719	(36,122)	55,137
Sundry payables and accrued expenses	31,275	64,446	522	-
Rental income in advance	108,587	35,558	-	-
Total trade and other payables	3,224,883	2,515,937	1,704,729	921,384

### 21 Financial Liabilities

#### Other borrowings

	Consolidated	
	2010	2009
	\$	\$
CURRENT		
Other borrowings	500,000	-
Total other borrowings	500,000	-

Other borrowings relate to a working capital facility acquired through the Tankstream Funds Management Limited acquisition. The debt matures on 28 February 2011 and is subject to semi-annual amortisation of \$25,000.

#### Other Liabilities

	Consolidated	
	2010	2009
	\$	\$
CURRENT		
Interest rate hedge	650,000	-
Total other liabilities	650,000	-

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 21 Financial Liabilities continued

#### NON-CURRENT

Interest rate hedge	555,000	2,715,000
Pelorus Penrith Fund No. 2	5,715,000	235,000
Total other liabilities	6,270,000	2,950,000

The interest rate hedge liabilities represent the mark to market valuations of hedges in place at 30 June 2010 with respect to property debt held over the Penrith, Bakehouse Quarter and The Woods properties.

The Pelorus Penrith Fund No. 2 (PPF2) other liability represents the second mortgage granted over the Penrith property, held by PPF2. The movement in the liability is due to the sale of PPF2 units to entities outside of the Pelorus Group resulting in PPF2 no longer being part of the consolidated Group. This second mortgage is no longer eliminated on consolidation and results in it being recorded by the consolidated group. PPF2 is a 7 year fixed term fund that matures in 2014.

There are no financial liabilities held by the Parent.

### 22 Provisions

	Legal proceedings \$	Employee entitlements \$	Total \$
Opening balance at 1 July 2009	50,000	151,991	201,991
Additional provisions	-	93,338	93,338
Amounts used	(50,000)	(59,205)	(109,205)
Balance at 30 June 2010	-	186,124	186,124

#### (a) Analysis of Total Provisions

	Consolidated	
	2010 \$	2009 \$
Current	180,285	197,491
Non current	5,839	4,500
Total provisions	186,124	201,991

The number of employees for the Group as at 30 June 2010 is 31 (30 June 2009: 22).

There are no provision held by the Parent.



# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 23 Tax

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
CURRENT				
Income tax receivable / (payable)	(192,725)	214,695	110,091	270,134
Total current tax liabilities	(192,725)	214,695	110,091	270,134
NON-CURRENT				
Deferred tax balance comprises:				
Fair value adjustments	659,268	223,381	-	223,381
Employee entitlements	55,838	55,028	-	-
Interest rate swaps	361,500	750,000	-	-
Asset impairment	553,925	872,991	133,423	-
Loan Provisions	177,386	-	-	-
FBT Instalments	119,907	-	-	-
Accruals	228	-	-	-
Unearned income	32,576	-	-	-
Loans and investments impairments	-	-	121,047	-
Deferred income	(690,515)	-	-	-
Straightline income	19,449	-	-	-
Prepayments	(54,705)	(81,987)	-	-
Total deferred tax assets / (liabilities)	1,234,857	1,819,413	254,470	223,381

### 24 Issued Capital

#### (a) Summary Table

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
379,564,893 (30 June 2009: 364,593,893) Ordinary	87,551,064	84,734,575	87,551,064	84,734,575
Total issued capital	87,551,064	84,734,575	87,551,064	84,734,575

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 24 Issued Capital continued

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

	Consolidated		Parent	
	2010 No.	2009 No.	2010 No.	2009 No.
At the beginning of reporting period	364,593,893	113,649,724	364,593,893	113,649,724
Shares issued during the year:				
Employee Share Scheme	125,000	195,729	125,000	195,729
Issued for acquisition of Bakehouse Quarter Fund units	-	168,016,256	-	168,016,256
Issued for acquisition of Planloc Pty Ltd shares	-	64,075,758	-	64,075,758
Issued for acquisition of Pelorus Storage Fund units	-	11,550,000	-	11,550,000
Issued for acquisition of Pelorus Penrith Fund No. 2 units	-	5,300,000	-	5,300,000
Pro-rata issue for Directors and Shareholders shortfall shares	-	1,806,426	-	1,806,426
Issue for acquisition of Pelorus Pub Fund Units	14,846,000	-	14,846,000	-
At reporting date	<u>379,564,893</u>	<u>364,593,893</u>	<u>379,564,893</u>	<u>364,593,893</u>

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

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

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 25 Dividends

There were no dividends declared or paid in the year ended 30 June 2010 (30 June 2009: nil)

#### (b) Balance of franking account

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>The amount of franking credits available for the subsequent financial year are:</b>				
- franking account balance as at the end of the period at 30% (2009: 30%)	230,458	175,435	154,763	117,692
- franking credits that will arise from the payment of income tax	207,115	-	207,115	-
<b>Total franking account balance</b>	<b>437,573</b>	<b>175,435</b>	<b>361,878</b>	<b>117,692</b>

### 26 Auditors' Remuneration

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
- Auditing or reviewing the financial report	169,330	103,549	142,412	103,549
- Auditing or reviewing the financial report of the Managed Investment Schemes for whom Pelorus acts as Responsible Entity	8,511	23,400	8,511	23,400
- Taxation and compliance services	16,016	14,820	14,001	14,820
- Other services	4,920	6,600	4,920	6,600
<b>Total auditors' remuneration</b>	<b>198,777</b>	<b>148,369</b>	<b>169,844</b>	<b>148,369</b>

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 27 Capital and Leasing Commitments

#### Operating Lease Commitments

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

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Payable - minimum lease payments				
- not later than 12 months	192,700	186,960	-	-
Total operating lease commitments	192,700	186,960	-	-

#### Capital Commitments

On 30 November 2009, the Group entered into a contract to purchase at 217 Parramatta Road, North Strathfield, adjacent to the Bakehouse Quarter. The purchase is for \$1,850,000 to be settled in September 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 under "Cash/Deposits held on trust" (see note 9).

### 28 Contingent Liabilities and Contingent Assets

In May 2010 MacarthurCook Property Securities Fund (MPS) announced that it has commenced legal proceedings to recover an alleged debt from RFML Limited (RFML). RFML is the responsible entity of the RP Trust (formerly Reed Property Trust) and was acquired by Pelorus in June 2009. RFML disputes the alleged debt and will defend the court proceedings commenced against it and the RP Trust.

The alleged debt relates to an investment in the RP Trust by MPS made prior to Pelorus' acquisition of RFML and the change of control of MacarthurCook. Pelorus was aware of these matters at the time of its acquisition of RFML. In acquiring RFML, Pelorus did not assume nor guarantee any of RFML's prior actual, contingent or alleged obligations and, if they exist, does not regard them as a financial risk to the Pelorus Property Group.

There are no other contingent assets or liabilities as at 30 June 2010.

### 29 Events After the Balance Sheet Date and Non-current Assets Held for Sale

On 20 July 2010 the Group announced that it would put a proposal (Restructure) to shareholders at its next Annual General Meeting (AGM). The Restructure will entail the Group splitting into its functional parts. Specifically, Funds Management and Property Services, the Bakehouse Quarter and the Group's other operations aimed at generating value by counter cyclical, opportunistic and in some cases aggressive investment and ventures. More information on the Restructure can be found in the ASX release dated 20 July 2010. In addition the Restructure will lead to the delisting of the Group's shares from the ASX.

This plan will result in the Group disposing of some non-current assets. In particular the ownership of the Bakehouse Quarter property will be privatized. The Investment segment of the Group will significantly decrease in size and activity as a result.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 30 Controlled Entities

Name	Country of incorporation	Percentage Owned 30 June 2010	Percentage Owned 30 June 2009
<b>Parent Entity:</b>			
Pelorus Property Group Ltd	Australia		
<b>Subsidiaries of parent entity:</b>			
Armada Holdings Pty Ltd	Australia	100	-
Armada Investment Management Pty Ltd	Australia	100	-
Armada Securities Limited	Australia	100	-
Bakehouse Quarter Fund	Australia	100	100
BQF Pty Ltd	Australia	100	100
Capital Storage Services Pty Ltd	Australia	51	51
DDT Projects Pty Limited	Australia	100	100
Pelorus Management (NZ) Limited	New Zealand	100	100
Pelorus Management Services Pty Ltd (formerly Wynn Tresidder Management Pty Ltd)	Australia	100	100
Pelorus PIPES Trust No. 5	Australia	100	100
Planloc Pty Ltd	Australia	100	100
RASP Investments No. 2 Pty Ltd	Australia	-	50
RASP Investments Pty Ltd	Australia	100	50
RFML Limited	Australia	100	100
RFM Nominees Pty Ltd	Australia	100	100
Tankstream Funds Management Limited	Australia	100	-
Tankstream Hotels Pty Ltd	Australia	100	-
WRV Pty Limited	Australia	100	100
WRV Unit Trust	Australia	68	68

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 31 Related party transactions

	Consolidated		Parent	
Note	2010 \$	2009 \$	2010 \$	2009 \$
<b>Fees received</b>				
Kirela Pty Ltd (Bakehouse Quarter Fund)	266,415	1,177,316	-	436,010
JPS Properties Pty Ltd	53,832	58,809	-	-
Mosman Branch Pty Ltd	16,890	16,127	-	-
Alerik Pty Ltd ATF Alerik Unit Trust	290,623	235,661	68,750	71,500
Bin 24 Restaurants Pty Ltd	107,656	-	-	-
Trentham City Investments Limited	579,046	521,889	-	44,749
Pelorus Storage Advantage Pty Ltd	-	3,253	-	-
WRV Pty Limited (WRV Unit Trust)	-	107,387	-	48,750
RP Trust	1,492,346	-	955,439	-
Pelorus Pub Fund & Pelorus Hotels Limited	218,800	-	-	-
Tankstream Property Investments Fund	379,796	-	-	-
Tankstream Global Property Fund	7,500	-	-	-
Pelorus Telstra House Trust	29,670	-	-	-
APG Asset Management Pty Ltd	330,634	-	330,634	-
Claremont Street Pty Ltd	1,094	-	-	-
Seph Glew	1,763	7,332	-	-
Paul Tresidder	925	1,731	-	-
Guy Wynn	86	-	-	-
Robin Tedder	-	538	-	-
<b>Total</b>	<b>3,807,076</b>	<b>2,190,042</b>	<b>1,354,823</b>	<b>601,009</b>
<b>Rent paid</b>				
JPS Properties Pty Ltd	203,616	463,909	-	-
<b>Total</b>	<b>203,616</b>	<b>463,909</b>	<b>-</b>	<b>-</b>
<b>Consultancy fees paid</b>				
Frogstorm Pty Ltd	-	23,500	-	23,500
Castle Bay Pty Ltd	280,000	184,242	280,000	184,242
Seno Management Pty Ltd	285,000	285,000	285,000	285,000
Lymkeesh Pty Ltd	285,000	185,000	125,000	185,000
Kokoda Pty Ltd	-	90,000	-	-
<b>Total</b>	<b>850,000</b>	<b>767,742</b>	<b>690,000</b>	<b>677,742</b>

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 31 Related Party Transactions continued

Note	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Directors fees paid</b>				
Seno Management Pty Ltd	75,000	75,000	75,000	75,000
Lymkeesh Pty Ltd	55,000	55,000	55,000	55,000
Hillandip Pty Ltd	55,000	55,000	55,000	55,000
Koonta Pty Ltd	55,000	55,000	55,000	55,000
<b>Total</b>	<b>240,000</b>	<b>240,000</b>	<b>240,000</b>	<b>240,000</b>
<b>Interest received</b>				
Frogstorm Pty Ltd	16,306	21,325	-	-
Old Bear Pty Ltd	13,999	18,294	-	-
WRV Unit Trust	155,037	298,739	155,037	298,739
Trentham City Investments Limited	-	434	-	-
<b>Total</b>	<b>185,342</b>	<b>338,792</b>	<b>155,037</b>	<b>298,739</b>
<b>Loans to related parties:</b>				
Trentham City Investments Limited	89,513	86,614	-	-
Old Bear Pty Ltd	246,752	232,753	-	-
Frogstorm Pty Ltd	287,631	271,325	-	-
WT Retail Services (India) Private Ltd	503,492	475,476	503,492	475,476
Bin 24 Restaurants Pty Ltd	-	14,641	-	-
Pelorus Pub Fund	788,800	-	-	-
Pelorus Private Clients Limited	215,000	-	-	-
<b>Total</b>	<b>2,131,188</b>	<b>1,080,809</b>	<b>503,492</b>	<b>475,476</b>
<b>Distributions received</b>				
Pelorus Storage Fund	59,948	183,940	59,948	176,718
Pelorus Telstra House Trust	40,340	-	35,760	-
Pelorus Penrith Fund No.2	504,438	317,800	-	317,800
<b>Total</b>	<b>604,726</b>	<b>301,740</b>	<b>95,708</b>	<b>494,518</b>
<b>Interest paid</b>				
Pelorus Penrith Fund No.2	525,000	20,147	-	-
<b>Total</b>	<b>525,000</b>	<b>20,147</b>	<b>-</b>	<b>-</b>

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 31 Related Party Transactions Continued

#### (a) Identification of Related Parties continued

Name	Entity Type	Directors	Legal/ Beneficial Interest as at 30 June 2010
Alerik Pty Ltd	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder
Alerik Unit Trust	Trust	n/a	Seph Glew, Paul Tresidder, Robin Tedder, Richard Hill
APG Asset Management Pty Ltd	Company	Seph Glew, Stuart Brown	Pelorus Property Group Limited (50%)
BQF Pty Ltd	Company	Stuart Brown	Pelorus Property Group Limited
Bin24 Restaurants Pty Ltd	Company	Seph Glew, Robin Tedder, Paul Tresidder	Seph Glew, Robin Tedder, Paul Tresidder
Capital Storage Services Pty Ltd	Company	Stuart Brown	Pelorus Property Group Limited (51%)
Castle Bay Pty Ltd	Company	Guy Wynn	Guy Wynn
Claremont Street Pty Ltd	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder
CW Associates Pty Ltd	Company	Craig Williams	Craig Williams
Frogstorm Pty Ltd	Company	Stuart Brown	Stuart Brown
Hillandip Pty Ltd	Company	Richard Hill	Richard Hill
JPS Properties Pty Ltd	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder
Kirela Development Unit Trust	Trust	n/a	Seph Glew, Paul Tresidder
Kirela Pty Ltd	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder
Kokoda Pty Ld	Company	Guy Wynn	Guy Wynn
Koonta Pty Ltd	Company	Robin Tedder	Robin Tedder
Lymkeesh Pty Ltd	Company	Paul Tresidder	Paul Tresidder
Mosman Branch Pty Ltd	Company	Seph Glew, Paul Tresidder	Seph Glew, Paul Tresidder



# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 31 Related Party Transactions Continued

#### (a) Identification of Related Parties continued

Old Bear Pty Ltd	Company	David Tresidder	David Tresidder
Pelathon Management Group Pty Ltd	Company	Seph Glew, Stuart Brown	Pelorus Property Group Limited
Pelorus Penrith Fund No. 2	Trust	n/a	Pelorus Pipes Trust No. 5
Pelorus Private Clients Limited	Company	Seph Glew, Stuart Brown	Pelorus Property Group Limited
Pelorus Pub Fund & Pelorus Hotels Limited	Stapled Fund	n/a	Pelorus Property Group Limited Tankstream Funds Management Ltd.
Pelorus Storage Advantage Pty Ltd	Company	Stuart Brown	Pelorus Property Group Limited
Pelorus Storage Fund	Trust	n/a	Seph Glew, Stuart Brown, Guy Wynn, Paul Tresidder
Pelorus Telstra House Trust	Trust	n/a	Pelorus Property Group Limited Capital Storage Services Pty Ltd
RP Trust	Trust	n/a	Pelorus Pipes Trust No. 5
Seno Management Pty Ltd	Company	Seph Glew	Seph Glew
Tankstream Global Property Fund	Trust	n/a	Tankstream Property Investments Fund
Trentham City Investments Limited	NZ Company	Seph Glew, Stuart Brown	Pelorus Management (NZ) Limited
WRV Unit Trust	Trust	n/a	Pelorus Property Group Limited
WT Retail Services (India) Private Ltd	Indian Company	Guy Wynn, Paul Tresidder	Pelorus Property Group Limited
Yandina Sub-Trust	Trust	n/a	RP Trust

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

Notes to the Financial Statements

30 June 2010

## 31 Related Party Transactions Continued

### (b) Beneficial holdings

The direct, indirect and beneficial holding of directors and their director-related entities in the share and share options of the Company as at 30 June 2010 is:

Shares: 193,264,835 (30 June 2009: 191,663,727) Ordinary shares

Options: 24,880,000 (30 June 2009: 24,880,000)

Refer Note 32(a) for further details.

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

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

### (d) Fund management fees

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

### (e) Rental expenses

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

Pelorus Management Services paid rental expenses of \$203,616 to JPS Properties Pty Ltd during the period. This rental expense is fully recovered from unrelated tenants and as such does not form part of occupancy costs.

### (f) Consultancy fees

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

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 31 Related Party Transactions Continued

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

##### WRV Pty Ltd ATF WRV Unit Trust

\$7,005,000 is loaned to WRV Pty Ltd ATF WRV Unit Trust by Pelorus PIPES Trust No.5.

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

These loans are secured by shares in Pelorus Property Group Ltd and interest is currently charged at 5.75% per annum.

##### Planloc Pty Ltd

Pelorus Penrith Fund No 2 holds a PIPES mortgage secured over 120 Mulgoa Rd, Penrith. 285,000 of the units in PPF2 are held by members of Pelorus Property Group Limited. Interest is payable under the mortgage at a rate of 8.75% per annum.

#### (h) Other Related Party Transactions

- Pelorus Property Group Ltd sold 100,000 units (plus 3,000 commission units) in Pelorus Telstra House Trust to CW Associates Pty Ltd for \$100,000 on 1 February 2010.
- Pelorus Property Group Ltd sold 200,000 units (plus 6,000 commission units) in Pelorus Telstra House Trust to Seno Management Pty Ltd for \$200,000.
- Pelorus Property Group Ltd sold 50,000 units (plus 1,500 commission units) in Pelorus Telstra House Trust to Lymkeesh Pty Ltd for \$50,000.
- Pelorus Property Group Ltd sold 150,000 units (plus 4,500 commission units) in Pelorus Telstra House Trust to Richard Hill for \$150,000.
- Pelorus Property Group Ltd sold 10,000 units (plus 300 commission units) in Pelorus Telstra House Trust to Robbie Fallon for \$10,000.
- Pelorus Property Group Ltd sold 100,000 units in Pelorus Telstra House Trust to Capital Self Storage for \$100,000.
- Pelorus Property Group Ltd sold 600,000 units in Pelorus Telstra House Trust to JPS Properties Pty Ltd for \$600,000.
- Pelorus Property Group Ltd sold 300,000 units in Pelorus Telstra House Trust to Bin 24 Restaurants Pty Ltd for \$300,000.
- Pelorus Property Group Ltd acquired 1,300,000 units in Pelorus Telstra House Trust for \$1,300,000.
- Pelorus Property Group Ltd sold 100,000 units in Pelorus Telstra House Trust to Kirela Developments Unit Trust for \$100,000 on 1 April 2010, and 300,000 units for \$342,000 on 31 May 2010.
- Planloc Pty Ltd sold 20,000 Pelorus Property Group Ltd shares to Kirela Developments Unit Trust for \$4,000.
- Pelathon Management Group Pty Ltd all of Kirela shares in Bakehouse Cellars Pty Ltd to Bakehouse Quarter Fund for \$15,000.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 31 Related Party Transactions Continued

- Planloc Pty Ltd sold 20,000 Pelorus Property Group Ltd shares to Kirela Developments Unit Trust for \$4,000.
- Pelorus Pipes Trust No 5 sold 5,000,000 units in Pelorus Penrith Fund No 2 to RP Trust for \$5,000,000.
- Bakehouse Quarter Fund purchased plant and equipment from Bin24 Restaurants Pty Ltd for \$430,000.
- In January 2010 Pelorus Property Group Ltd acquired 3,172,170 units in Pelorus Telstra House Trust from RP Trust at \$0.50 per unit as part of the underwriting arrangements for the issue of units in Pelorus Telstra House Trust.
- Pelorus Property Group Ltd subscribed for 14,338,620 units in the Pelorus Pub Fund on 21 January 2010 as part of the settlement of the Pelorus Pub Fund's acquisition of the Armada Pub Fund.
- Pelorus Property Group Ltd redeemed 69,975 units in Alerik Unit Trust for \$160,942.
- Pelorus Property Group Ltd sold 480,000 units in Pelorus Penrith Fund No 2 to Tankstream Property Investment Fund in exchange for the issue of 1,661,475 units in Tankstream Property Investment Fund.

### 32 Directors' options

Directors related entities have relevant interests in options over shares in the Company as set out below.

The options that were granted on 20 July 2006 have a five year term and are exercisable at any time prior to their expiry at a price of \$0.67 cents per share.

The options that were granted on 28 November 2008 have a five year term are exercisable at any time after the third anniversary of the date of issue but prior to their expiry at a price of \$0.60 cents per share on the date which is the third anniversary from the date of issue of the options. The exercise price will increase by 0.75 of a cent each 3 monthly period thereafter until the options expire or are exercised.

There have been no options granted during the year ended 30 June 2010.

	<b>Balance 30/06/2009</b>	<b>Net change **</b>	<b>Balance 30/06/2010</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>
Seph Glew	7,660,000	-	7,660,000
Guy Wynn	3,900,000	-	3,900,000
Stuart Brown	5,600,000	-	5,600,000
Paul Tresidder	4,720,000	-	4,720,000
Robin Tedder	2,500,000	-	2,500,000
Richard Hill	500,000	-	500,000
Total	24,880,000	-	24,880,000

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 33 Directors and Key Management Personnel

#### (a) Directors' relevant interests

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

	Balance 30/06/2009	Options Exercised	Net Change Other *	Balance 30/06/2010
Seph Glew	73,305,703	-	865,349	74,171,052
Guy Wynn	8,638,651	-	-	8,638,651
Stuart Brown	5,138,431	-	40,000	5,178,431
Paul Tresidder	70,763,396	-	751,759	71,515,155
Robin Tedder	17,550,689	-	(56,000)	17,494,689
Richard Hill	16,266,857	-	-	16,266,857
<b>Total shareholding</b>	<b>191,663,727</b>	<b>-</b>	<b>1,601,108</b>	<b>193,264,835</b>

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

#### (b) Key Management Personnel Compensation

30 June 2010

	Short-term benefits				Post employment benefits		Total
	Consultancy fees \$	Directors Fees \$	Salary and Other \$	Employee Share Scheme \$	Superannuation \$	Options \$	\$
Guy Wynn	280,000	-	-	650	-	-	280,650
Stuart Brown	-	-	289,908	650	26,092	-	316,650
Robin Tedder	-	55,000	-	650	-	-	55,650
Richard Hill	-	55,000	-	650	-	-	55,650
Paul Tresidder	160,000	55,000	-	650	-	-	215,650
Seph Glew	285,000	75,000	-	650	-	-	360,650
Tim Brown	-	-	156,881	650	14,119	-	171,650
	<b>725,000</b>	<b>240,000</b>	<b>446,789</b>	<b>4,550</b>	<b>40,211</b>	<b>-</b>	<b>1,465,550</b>

Tim Brown was appointed chief financial officer during the year all other key management personnel are Directors.

### 33 Directors and Key Management Personnel Continued

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

Material terms of the options:

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

### 30 June 2010

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

### 30 June 2009

	Short-term benefits			Post employment benefits		Total
	Consultancy fees	Directors Fees	Salary and Other	Superannuation	Options	
	\$	\$	\$	\$	\$	\$
Guy Wynn	253,333	-	-	-	1,750	255,083
Stuart Brown	23,500	-	237,156	21,344	3,500	285,500
Robin Tedder	-	55,000	-	-	1,050	56,050
Richard Hill	-	55,000	-	-	350	55,350
Paul Tresidder	185,000	55,000	-	-	1,750	241,750
Seph Glew	285,000	75,000	-	-	3,500	363,500
	<u>746,833</u>	<u>240,000</u>	<u>237,156</u>	<u>21,344</u>	<u>11,900</u>	<u>1,257,233</u>

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

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 34 Financial Instruments

#### (a) Financial Risk Management

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

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

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

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

#### (b) Interest rate risk

The Group has exposure to market risk for changes in interest rates on long-term borrowings. Borrowings at variable rate expose the Group to cash flow interest rate risk.

The Group undertakes hedging strategies to mitigate the risk on its Property Debt. The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate derivatives. Such interest rate derivatives have the economic effect of converting borrowings from floating rates to fixed or capped rates. Generally, the Group raises long term borrowings at floating rates and hedges them into fixed rates that are lower than those available if the group borrowed at fixed rates directly. Under the interest rate derivatives, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rates interest amounts calculated by reference to the agreed notional principal amounts.

Refer to note 33(g) for financial instruments subject to interest rate risk.

#### (c) Price Risk

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

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 34 Financial Instruments continued

#### (d) Credit Risk

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

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

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

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

#### (e) Exposure to credit risk

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

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Other financial assets	103,636	763,636	75,634,706	77,411,803
Loans and receivables	1,862,849	1,809,322	7,242,771	4,928,030
Held-for-trading financial assets	5,742,138	296,800	1,912,650	292,800
Cash and cash equivalents	2,074,242	3,180,771	1,356,816	2,630,799
Trade receivables	845,461	634,953	297,479	241,500
Cash / deposit held on trust	282,435	350,000	-	350,000
	10,910,761	7,035,482	86,444,422	85,390,981



# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 34 Financial Instruments continued

As of 1 July 2009, the Group has adopted the AASB 7 amendments, which require disclosure of how the following fair value measurements fit within the fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (Level 3).

The following table presents the Group's financial assets and liabilities measured at fair value at 30 June 2010.

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Balance</b>
Held For Trading Financial Assets	683,100	5,059,038	-	5,742,138
Total Assets	683,100	5,059,038	-	5,742,138
<b>Liabilities</b>				
Interest Rate Hedges	-	1,205,000	-	1,205,000
Total Liabilities	-	1,205,000	-	1,205,000

#### Level 1 financial instruments

The fair value of financial instruments traded in active markets (such as held for trading securities traded on the ASX) are based on quoted market prices at the balance sheet date.

#### Level 2 financial instruments

The fair values of held for trading assets that are not traded in active markets are based on published unit prices at the balance sheet date

The fair value of interest rate swaps are calculated as the present value of the estimated future cash flows.

There were no transfers between Level 1, 2 and 3 financial instruments during the year.

For all other financial assets & liabilities carrying value is an approximation of fair value.

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 34 Financial Instruments continued

#### (g) Interest Rate Risk

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

	Weighted Average Effective Interest Rate		Floating Interest Rate		Hedged Interest Rate		Non-interest Bearing		Total	
	2010 %	2009 %	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
<b>Financial Assets:</b>										
Cash and cash equivalents	4.50	2.25	2,074,242	3,180,771	-	-	-	-	2,074,242	3,180,771
Trade & other receivables	-	-	-	-	-	-	1,184,117	1,064,824	1,184,117	1,064,825
Loan and receivables	9.12	8.00	1,627,696	1,809,322	-	-	235,153	-	1,862,849	1,809,322
<b>Total Financial Assets</b>			3,701,938	4,990,093	-	-	1,419,270	1,064,824	5,121,208	6,054,918
<b>Financial Liabilities:</b>										
Property debt	7.25	7.00	27,500,000	9,915,000	68,500,000	87,500,000	-	-	96,000,000	97,415,000
Other Borrowings	7.79		500,000						500,000	
Trade & other payables	-	-	-	-	-	-	3,224,883	2,515,937	3,224,883	2,515,937
Hedge Liabilities	-	-	-	-	-	-	1,205,000	2,715,000	1,205,000	2,715,000
Outside interest in Penrith fund No.2	8.75	8.75	-	-	5,715,000	235,000	-	-	5,715,000	235,000
<b>Total Financial Liabilities</b>			-	28,000,000	9,915,000	74,215,000	4,429,883	5,230,937	106,644,883	102,880,937

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 34 Financial Instruments continued

	Maturing within 1 year		Maturing within 1-5 years		Total	
	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$
<b>Financial Assets:</b>						
Cash and cash equivalents	2,074,242	3,180,771	-	-	3,180,771	3,180,771
Trade receivables	1,184,117	1,064,824	-	-	1,064,824	1,064,824
Loan and receivables	1,862,849	1,809,322	-	-	1,809,322	1,809,322
<b>Total Financial Assets</b>	<b>5,121,208</b>	<b>6,054,917</b>	<b>-</b>	<b>-</b>	<b>6,054,917</b>	<b>6,054,917</b>
<b>Financial Liabilities:</b>						
Property debt	10,500,000	-	85,500,000	97,415,000	96,000,000	97,415,000
Other Borrowings	500,000				500,000	
Trade & other payables	3,224,883	2,515,937	-	-	3,224,883	2,515,937
Hedge liabilities	650,000	110,000	555,000	2,605,000	1,205,000	2,715,000
Outside interest in Penrith Fund No.2	-	-	5,715,000	235,000	5,715,000	235,000
<b>Total Financial Liabilities</b>	<b>14,874,883</b>	<b>2,625,937</b>	<b>91,770,000</b>	<b>100,255,000</b>	<b>106,644,883</b>	<b>102,880,937</b>

Pelorus has an active hedging policy over its debt and uses a combination of interest rate hedging derivatives.

### (g) Interest Rate Risk Continued

# Pelorus Property Group Ltd and Controlled Entities

ABN 45 091 209 639

## Notes to the Financial Statements

30 June 2010

### 34 Financial Instruments continued

The Following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre tax profit would have been affected as follows:

	Pre tax profit higher/(lower)	
	2010	2009
	\$	\$
<b>Consolidated</b>		
+1.0% (100 basis points)	(253,491)	(49,249)
- 0.5% (50 basis points)	147,488	24,625

# **Pelorus Property Group Ltd and Controlled Entities**

**ABN 45 091 209 639**

**Notes to the Financial Statements**

**30 June 2010**

## **35 Company Details**

### **Principal place of business**

The principal place of business of the company is:

Pelorus Property Group Ltd and Controlled Entities

Level 3, 50 Yeo Street

Neutral Bay NSW 2089