
ASX ANNOUNCEMENT

Fair value and non-recurring items and their impact on ABP's 31 December 2010 statutory profit

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31 December 2010 half year results

Having completed the valuation process of its assets, including property and interest rate swaps the Group expects its statutory profit after tax for the half year ended 31 December 2010 to be in the range of \$8-10m.

The net fair value devaluations (\$21m) and a non-recurring restructuring charge (\$16m) described below do not affect the Group's underlying profit¹ which is expected to be in the range of \$42.5m - \$45.0m.

The overall impact of these items on the group's gearing at 31 December 2010 is:

- Group gearing² will approximate 21%; and
- Group covenant gearing³ will approximate 27%, as compared with a 50% covenant.

The results outlined above are preliminary in nature and subject to finalisation of the audited accounts which will be released on 17 February 2011.

Fair value property revaluations

Approximately 30% of the portfolio by value was independently valued as at 31 December 2010. Properties not independently valued at December were last valued independently in June 2010. These properties were subject to internal review and, where appropriate, their values adjusted accordingly.

The outcome of the 31 December 2010 valuation process was a net \$11m devaluation over the half year which equates to 1.3% of the total portfolio value⁴. The weighted average portfolio cap rate changed from 8.53% to 8.54% and the value of the portfolio at 31 December 2010 was \$876m.

No properties held by the Group were affected by the recent floods in Queensland.

¹ Directors' assessment of result for ABP's ongoing business activities as per AICD / FINSIA guidelines.

² Calculated as net debt divided by gross assets net of cash.

³ Calculated as total liabilities divided by total tangible assets.

⁴ Includes 50% interest in Virginia Park.

Other fair value revaluations

The mark to market value of the Group's interest rate hedging swap book improved by \$6m in the first six months of the financial year. The closing value of the swap book liability is \$19m at 31 December 2010.

The fair value of the Group's minority interests in real estate investments held through joint ventures and a UK equity investment fell by a combined total of \$16m in the six months ended 31 December 2010.

Non recurring adjustments

The hospitality industry, particularly in northern Queensland, has been affected by the downturn in inbound tourism following the global financial crisis. The increase in value of the Australian dollar, the reduced domestic tourism demand and the curtailment of conference activities by many companies during this period have caused hotel revenues to fall. The expectation that the Australian dollar will remain strong for some time will further delay the expected recovery in hotel revenues. The trading operations of the hotels in the Abacus Hospitality Fund which are managed by Abacus Funds Management Limited reflected these market conditions.

In light of this the Group has reviewed the value of its previous loan exposure of \$72m to the Abacus Hospitality Fund and has incurred a non-recurring charge of \$16m.

We nevertheless believe that the current operating income and the capitalisation value adjustments will change favourably in the medium term as the carrying value of these hotel assets is significantly below replacement cost and there is little new supply in hotel assets expected.

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Company Secretary

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