

annual financial report 2011



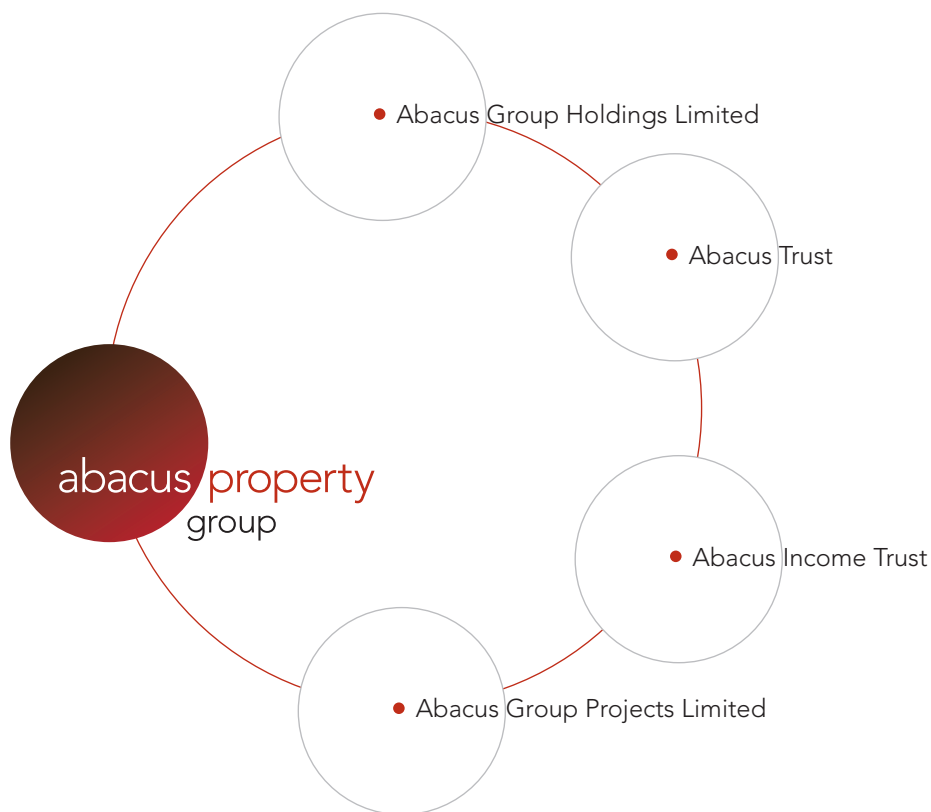
ABACUS PROPERTY GROUP

At 30 June 2011, the Abacus Property Group (APG) comprised the Abacus Trust (AT), the Abacus Income Trust (AIT), Abacus Group Holdings Limited (AGHL) and Abacus Group Projects Limited (AGPL). A summary of the corporate structure is illustrated below.

AGHL has been identified as the parent entity for the purpose of producing a consolidated financial report for the APG. That is, The concise financial report of AGHL services as a summary of the financial performance and position of APG as a whole. It consolidates the financial reports of AGHL, AT, AIT and AGPL and their controlled entities.

GLOSSARY

Abacus	Abacus Funds Management Limited, the responsible entity of the trusts
AGHL	Abacus Group Holdings Limited
AGPL	Abacus Group Projects Limited
AIT	Abacus Income Trust
APG	Abacus Property Group
AT	Abacus Trust





32 WALKER ST, NORTH SYDNEY

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WHO IS ABACUS

Abacus Property Group is a diversified property group that specialises in private equity style real estate investments. We seek to invest our capital in core plus property opportunities to drive long term total returns through the property cycle. We seek only Australian assets in gateway cities that we actively manage through the asset cycle to increase prospective total returns. When appropriate, we realise mature assets to free up capital to redeploy into the next generation of higher growth opportunities.

Abacus has a core plus, asset-centric business model where it is not the quantity of assets that is important, but rather the nature of each asset we control and the opportunities they present. Abacus' disciplined property selection process maintains a firm focus on fundamental real estate value. Our experience has shown that strict adherence to our fundamental investment criteria enables Abacus to acquire assets well and provide opportunities for outperformance while minimising downside risk to equity.

1996

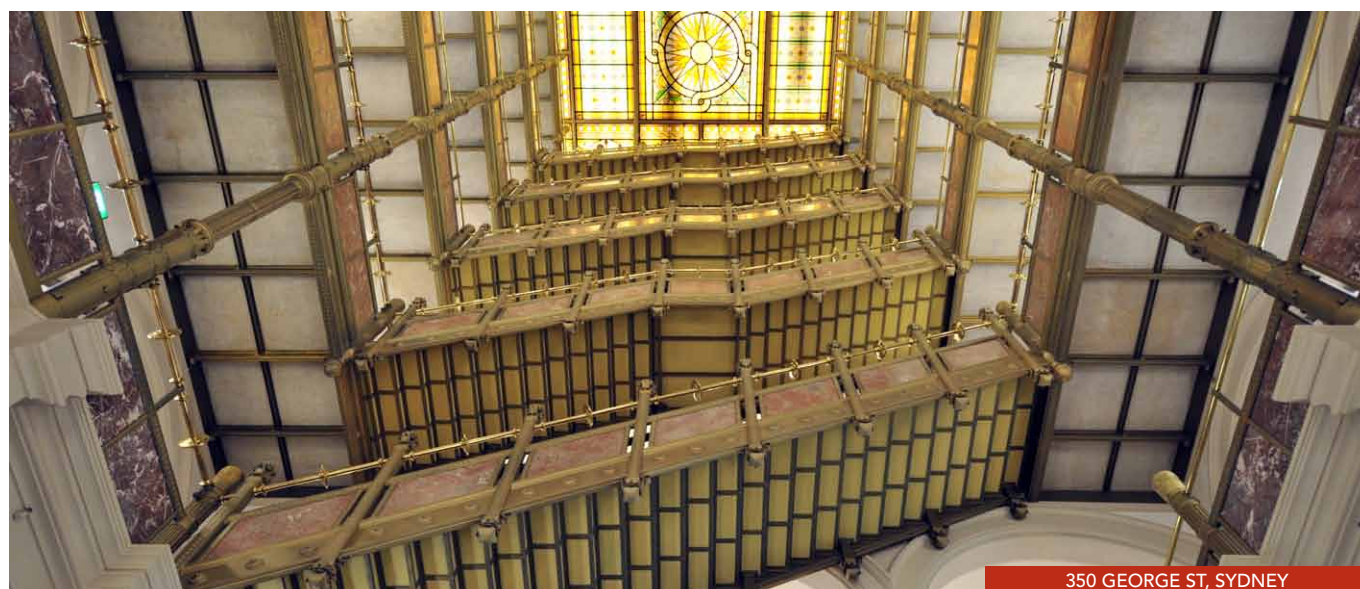
Abacus was formed in 1996 as a boutique property syndicator, providing property based investment opportunities for retail clients of financial planners.

2001

In 2001, Abacus merged a number of property syndicates to form the diversified Abacus Property Group.

2002

In late 2002, Abacus listed the Group on the ASX. Since listing, Abacus has continued to expand its business to become one of Australia's larger listed real estate investment trusts. Currently Abacus has a market capitalisation of approx \$750 million and is included in the S&P/ASX 200 Index.



350 GEORGE ST, SYDNEY



OUR PHILOSOPHY

Our investment objective is to provide our investors with reliable and increasing returns. In particular, we seek property assets that are capable of providing:

- sound growing rental income; and
- improvement of asset value as a result of our diligent active management.

Abacus is first and foremost a property investor seeking to extract value through active management. We seek properties with short-term imperfections in their underlying real estate fundamentals that allow us to acquire the assets at a discount.

We then apply our asset management skills to rectify the imperfections. If appropriate we seek to crystallise the value of the asset. The diagram depicts the investment process that Abacus undertakes:

Abacus has three integrated property businesses based on our core expertise in accessing properties and projects and actively managing them to realise their full value. Our flat corporate structure and business model support strong synergies across our businesses and help contribute to the overall success of the businesses and the Group. In total, Abacus has over \$2.2 billion of assets under management.

PROPERTY ACQUISITION

Properties that may have:

- poor tenancy structure
- underutilised physical attributes
- poor property management
- poor capital structure



ASSET MANAGEMENT

Significant asset management experience is applied to rectify property flaws



PROFIT REALISATION

When appropriate asset is returned to market to crystallise value for investors



350 GEORGE ST, SYDNEY

DIRECT PROPERTY INVESTMENTS

Abacus Property Group holds a diversified investment portfolio of primarily commercial, industrial and retail properties. Rental income from these properties is the largest contributor to the earnings of the Group. Abacus' disciplined property selection process maintains a firm focus on fundamental real estate value. Abacus' property portfolio is primarily situated in eastern seaboard locations ideally positioned to benefit as markets recover from the lows of the global financial crisis.

PROPERTY VENTURES

Abacus participates in a range of projects by combining our capital and property expertise with the regional or sector-specific expertise of our business partners. Abacus provides a range of property financing solutions where strict lending criteria are met, including mezzanine finance, structured equity participation and pre-sales agreements.

FUNDS MANAGEMENT

Abacus Funds Management Limited has provided innovative solutions to financial planners through a range of investment opportunities since 1996. It has successfully delivered attractive returns throughout this period and has established its place as one of Australia's leading property investors.

Abacus has offered a wide range of high quality investment solutions designed to meet the needs of different styles of investors. The restructure of a number of investments within our unlisted retail funds and the continued pressure the sector faces provides for an uncertain future. Consequently we are undertaking a strategic review of our unlisted retail funds management platform during FY12 to determine our direction in the light of investor sentiment in current economic circumstances.

FINANCIAL HIGHLIGHTS

Abacus was one of the best performing A-REIT stocks during FY11. Abacus significantly outperformed its benchmark index, the S&P/ASX 200 A-REIT Accumulation Index, by delivering a total return of 20.8% against a benchmark return of only 5.8%

\$1.6b
in total assets
(up 5% on prior year)

\$72.2m
underlying profit FY11
(up 11% on prior year)

28.9%
weighted average
equity return on sold
assets since listing

16.5c
distributions per security
(up 5% on prior year)

over \$400m
of assets acquired directly
or with our capital partners
in FY11



FRANK WOLF (LEFT) JOHN THAME (RIGHT)

CHAIRMAN & MANAGING DIRECTOR'S REPORT

Dear Investor

We are very pleased to present to you our 2011 Annual Report. The last twelve months have once again been highly volatile with global concerns continuing to affect the Australian economy adversely. Despite this, Abacus Property Group has had a very active and successful twelve months to 30 June 2011.

There were a number of highlights during the year that illustrated Abacus' active management. We sought to increase the prospective total returns from our direct investment portfolio by:

- acquiring over \$400 million of high quality growth assets at this point in the cycle
- divesting over \$120 million of mature assets
- investing in properties with our partners; and
- creating via the Heitman partnership a core plus platform capable of acquiring a substantial portfolio of assets.

We believe that our total (yield and capital) return focus towards our direct investment portfolio is the best way to maximise long term value for securityholders over the course of the property cycle. Abacus' success in partnering with high quality institutional and high net worth investors allows us to scale our capital and core plus competencies and, more importantly, achieve a greater number of high quality purchases at this point in the cycle.

In what we believe was a reflection of our successes, Abacus was one of the best performing A-REIT stocks during FY11. Abacus significantly outperformed its benchmark index, the S&P/ASX 200 A-REIT Accumulation Index by delivering a total return of 20.8% versus a sector return of only 5.8%.

FY11 FINANCIAL RESULTS

Despite the difficult market conditions during the year the Group delivered an 11% increase to underlying profit of \$72.2 million from \$64.9 million in FY10. Importantly, cashflow from operating activities was \$66.8 million, which covered a 5% increase in total distributions to \$61.8 million for the year. This equated to an underlying earnings per security of 19.4 cents and distributions to securityholders of 16.5 cents per security.

Abacus successfully grew total assets by over 5% to \$1.6 billion, with net assets of \$1.1 billion. The Group's net tangible asset per security was \$2.76, significantly above our current trading price. We continued to exercise prudent capital management and maintained low gearing levels at 25.8%. Abacus' active management of its portfolio coupled with our third party capital and available liquidity will enable us to take advantage of market conditions to buy assets well and drive future total returns.



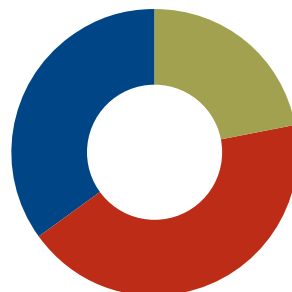
OPERATIONAL REVIEW

Direct investment property portfolio

The quality of our direct investment portfolio has strengthened during the period to include over \$971 million of assets following the acquisition of a number of larger high quality Sydney assets, accompanied by a reduction in the number of smaller assets through a methodical divestment program of mature, non-core assets. Abacus undertook over \$400 million of acquisitions either directly or in concert with its capital partners during FY11. These high quality acquisitions included four Sydney CBD commercial office assets and Birkenhead Point Shopping Centre and Marina. Following year-end we also acquired a further high profile Sydney CBD commercial office asset through a new joint venture. This will take the Group's acquisitions since the GFC directly or in concert with capital partners to an impressive total of almost \$550 million.

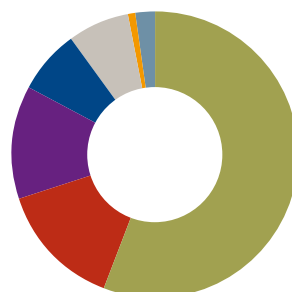
These acquisitions demonstrate our ability to source and execute on a significant quantum of transactions and attract sophisticated third party capital. The settlement of the acquisitions, at a weighted average cap rate of 8.25%, was supplemented by the divestment of over \$120 million of mature assets at a weighted average cap rate of 8.00%. The property portfolio performed in line with expectations, with new purchases expected to contribute to net rental income growth in FY12.

Operating metrics improved during the period with an increase in occupancy to 92.8% from 91.4% at December 2010. Like for like rental growth increased to 3.0% from 2.6% over the same six month period to 30 June 2011.



SECTOR DIVERSITY

- INDUSTRIAL AND OTHER (22%)
- COMMERCIAL (43%)
- RETAIL (35%)



GEOGRAPHIC DIVERSITY

- NSW (56%)
- QLD (14%)
- VIC (13%)
- SA (7%)
- ACT (7%)
- WA (1%)
- NZ (2%)

We have been pleased with the continued success of our third party capital strategy which we believe represents the best return on capital employed in the current environment. After our initial investments with the Kirsh Group, our successes during FY11 culminated in the establishment of a core plus joint venture with global real estate investment manager Heitman LLC. This venture recognises our core plus track record, buy side expertise and total return investment approach. Third party capital partnerships are an important way for Abacus to leverage our existing capital and drive our long term total returns.

Property ventures business

The Group's property ventures business remains well positioned despite softer market conditions slowing the realisation of capital from a number of existing projects. We have a number of initiatives, together with our joint venture partners, which we expect to crystallise in FY12:

- Anticipated planning approval for Lewisham's high density infill residential development site in early FY12 will finalise proposed sale of approximately \$40+ million.
- Acquisition of 43,000m² neighbouring industrial site to Virginia Park will expand the current site to over 166,000m² and provide a small residential development opportunity.

Our Powerhouse residential joint venture in Sydney's inner city suburb of Rosebery made excellent progress during the year. The project consists of a 136 unit residential and retail conversion and redevelopment of an ornate heritage listed 1930's art deco warehouse. Pre-sales have reached 115 units with net pre-sales covering peak level

debt by 163%. Senior debt financing has been secured and construction began in August 2011.

Invested capital reduced slightly during the period with funds invested in 15 projects, of which 78% are in preferred debt and equity positions. The largest movement during the year was the write down of our minority investment in a global retirement living developer as a result of currency movements and in recognition of the restrictive capital markets in the UK.

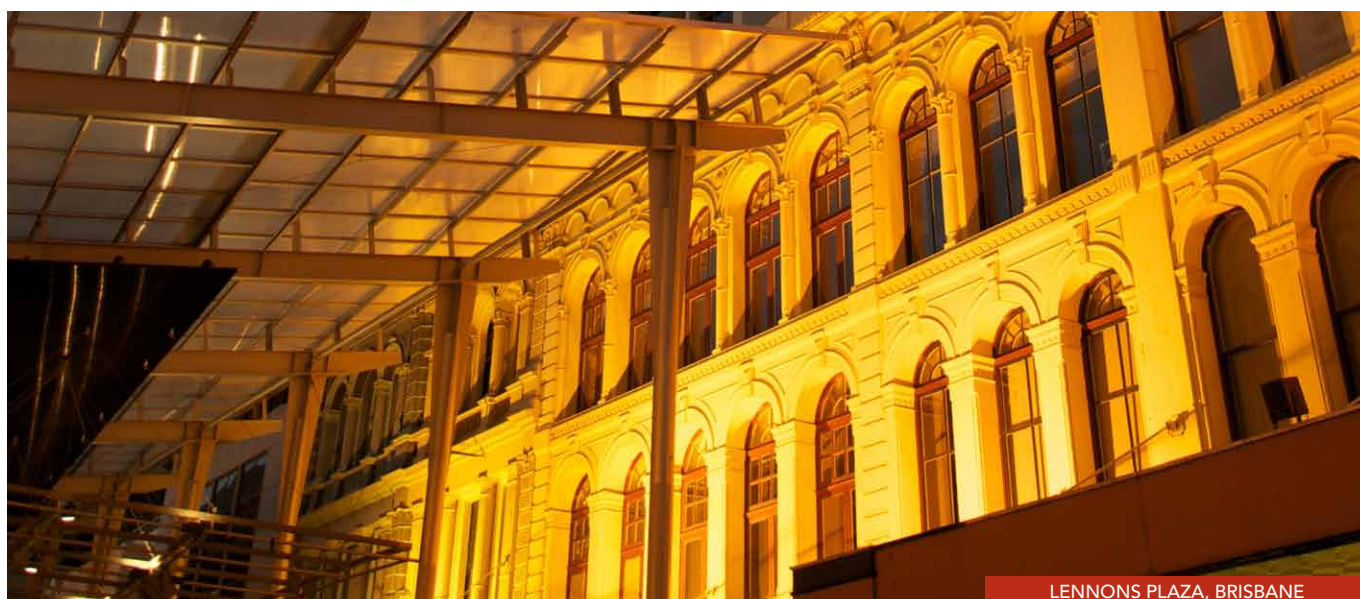
Funds management business

We successfully refinanced our entire bank funding for the Storage, ADIF II and Hospitality funds during the year. Abacus Storage Fund is our largest fund and now represents over 40% of Abacus' \$819 million of assets under management. It continues to perform well in the current environment. This fund, which continues to be rated as one of the best unlisted property funds, has delivered a total return since inception of more than 12% pa.

However, the restructure of a number of investments within our other unlisted retail funds and the continued pressure the sector faces provides for an uncertain future. Consequently we are undertaking a strategic review of our unlisted retail funds management platform during FY12 to determine our direction in the light of investor sentiment in the current economic circumstances.

REMUNERATION

The Nomination and Remuneration Committee and the Board take great care in fulfilling their responsibilities with respect to remuneration. The conservative remuneration policy adopted in 2008 when the global financial crisis began has been continued. Following a thorough review



LENNONS PLAZA, BRISBANE



in 2011, and despite the Group's positive performance, salaries for staff for the 2012 financial year have generally been limited to correspond with the increase in the consumer price index (except where there were changes in position or increased responsibilities).

Importantly, the base remuneration of the key management personnel named in the remuneration report has not increased at all for the 2012 financial year. There was also constraint in setting the aggregate amount of short term incentives paid for the 2011 financial year compared to the 2010 financial year.

OUTLOOK

Abacus took advantage of FY11 market conditions to trade up its direct investment portfolio and materially increase the reach of its third party capital platform. We believe FY12 will continue to provide good buy side opportunities to enhance and grow our balance sheet with well bought, high quality assets at low points in the cycle.

The announced strategic review of funds management will determine if our long term return model is compatible with the passive investment preferences of the unlisted retail sector in addition to identifying ways to free up the Group's capital invested in our unlisted retail funds.

A new accounting standard, AASB 10 (Consolidated Financial Statements), was issued in August 2011. It will be operative for reporting periods beginning on or after 1 January 2013. The new standard may alter the way in which the Group accounts for its managed funds and this could have a negative impact on the reporting of Group's net tangible assets (NTA). The implication for the Group of the new standard is being considered as part of the

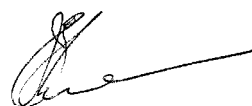
review process. The potential reduction in NTA will have no impact on underlying earnings.

In FY12 we remain committed to building a balance sheet more reflective of our 70/30 private equity style investment strategy, principally ensuring 70% of our balance sheet exposure is to directly held core plus property.

We are confident that our focus on building our balance sheet is the best strategy to drive long term securityholder value. There will be an interim period while this strategy is implemented where it is likely to alter the mix of recurring and transactional earnings. Distributions will continue to be sourced from underlying profits, but the eventual outcome should be increasing levels of earnings underpinned by direct rental receipts.

Finally, we and the other members of the Board, would like to thank you, our investors and other stakeholders, for your continued support during what has been and what is likely to remain a very volatile environment. We are pleased with what we have been able to achieve and continue to believe that we are positioning Abacus to best deliver long term total returns to investors. This would not be possible without the dedication and hard work of everyone at Abacus. On behalf of the Board, we would like to thank our executive team and all our staff.

Yours faithfully



John Thame
Chairman



Frank Wolf
Managing Director

BOARD MEMBERS



DAVID BASTIAN

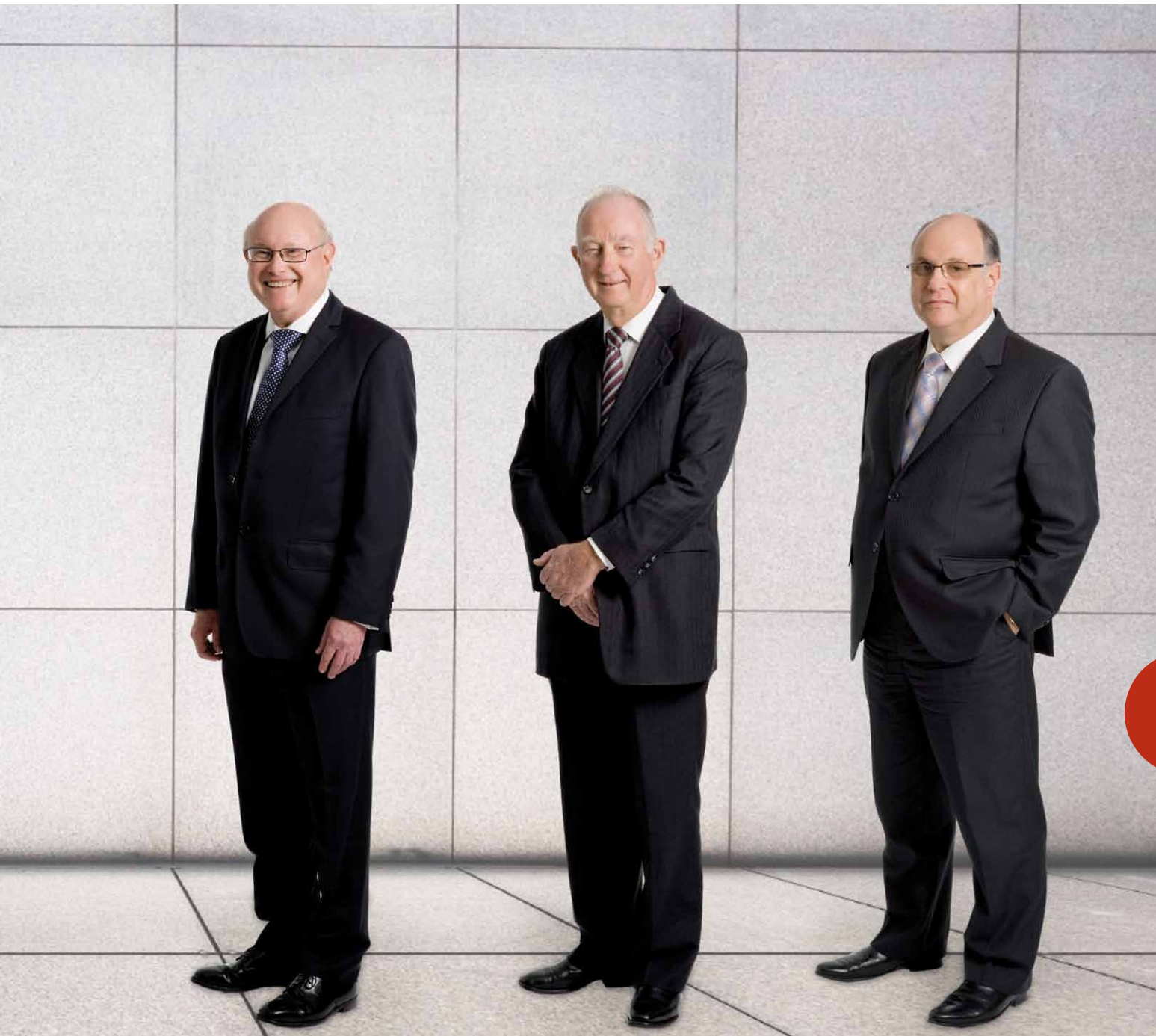
Mr Bastian is a Non-Executive Director and has almost 40 years' experience in the financial services industry. He was the Managing Director of the Group until September 2006, Managing Director of the Canberra Building Society for 20 years and an Executive Director of Godfrey Pembroke Financial Services Pty Limited for 7 years.

MYRA SALKINDER

Mrs Salkinder is a Non-Executive Director and is a senior executive of the Kirsh Group. She has been integrally involved over many years with the continued expansion of the Kirsh Group's property and other investments, both in South Africa and internationally. Mrs Salkinder is a director of various companies associated with the Kirsh Group worldwide.

MALCOLM IRVING

Mr Irving is a Non-Executive Director and has over 40 years' experience in company management, including 12 years as Managing Director of CIBC Australia Limited. He was a director of Thales Australia Limited (2000 to 2010). He is also a director of O'Connell Street Associates Pty Ltd and Macquarie University Hospital.



WILLIAM J BARTLETT

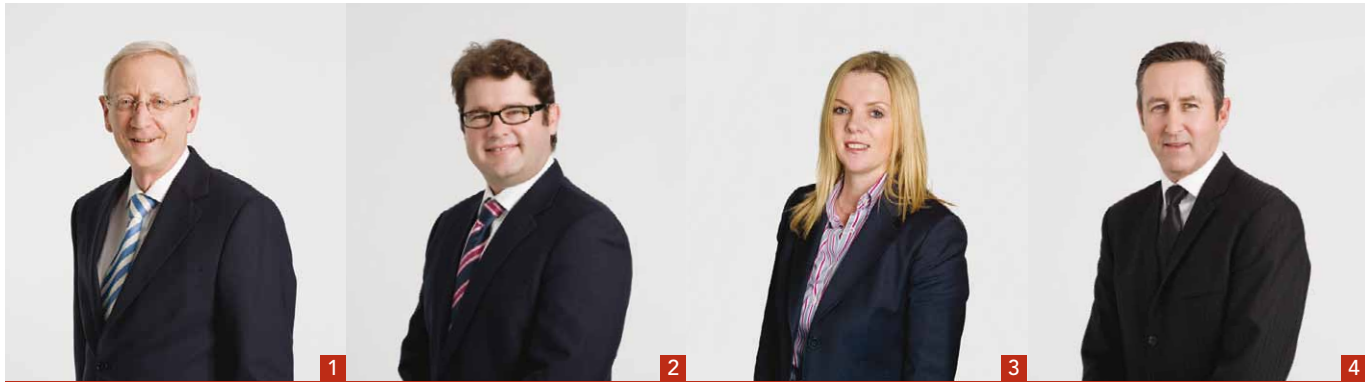
Mr Bartlett is a Non-Executive Director. As a partner at Ernst & Young for 23 years, he held the roles of Chairman of Worldwide Insurance Practice, National Director of Australian Financial Services Practice and Chairman of the Client Service Board. Mr Bartlett is a director of Suncorp-Metway Limited, GWA Limited, Reinsurance Group of America Inc and RGA Reinsurance Company of Australia Limited. Mr Bartlett was a director of Arana Therapeutics Limited (2004 to 2007). He is also Chairman of the Council of Governors for the Cerebral Palsy Foundation and a director of the Bradman Foundation and Museum.

JOHN THAME

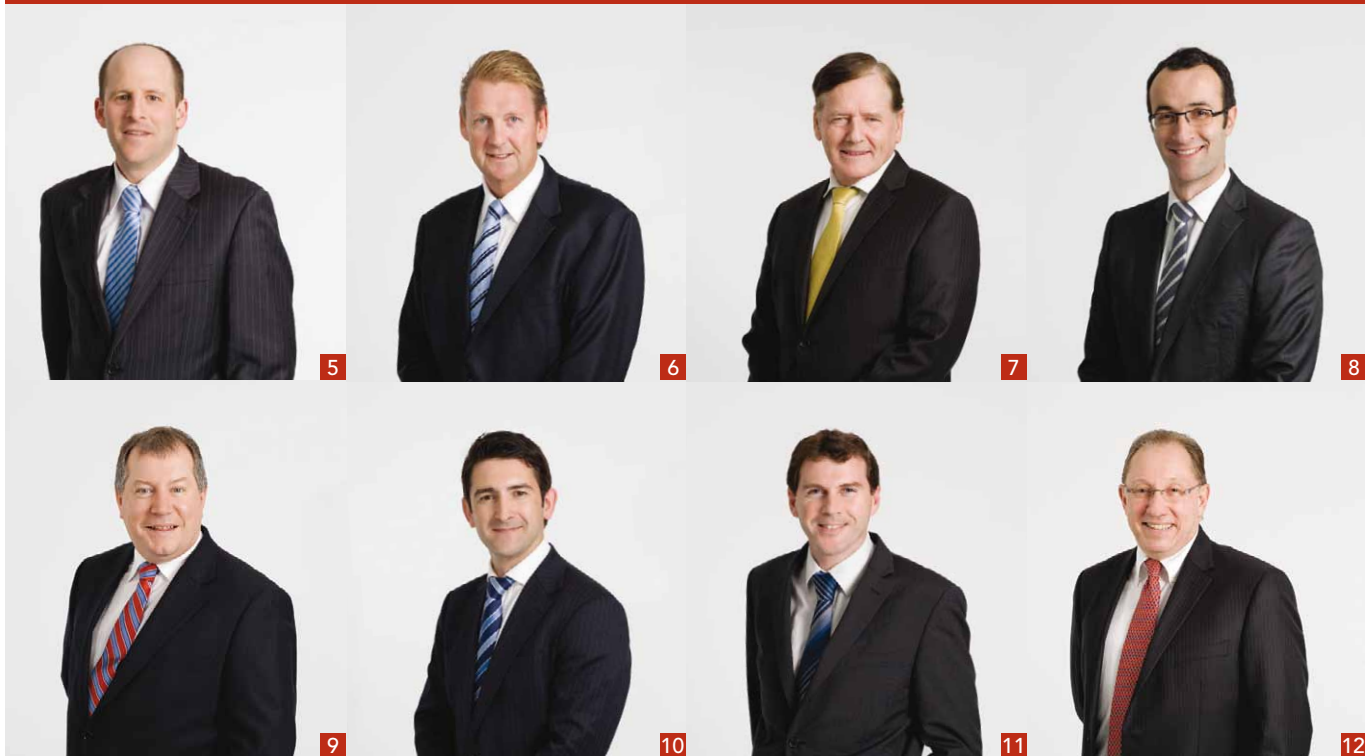
Mr Thame has over 30 years' experience in the retail financial services industry in senior management positions. His 26-year career with Advance Bank included 10 years as Managing Director until the Bank's merger with St George Bank Limited in 1997. Mr Thame was Chairman (2004 to 2008) and a director (1997 to 2008) of St George Bank Limited and St George Life Limited. He is also a director of Reckon Limited and The Village Building Co Limited (Group).

FRANK WOLF

Dr Wolf has over 20 years' experience in the property and financial services industries, including involvement in retail, commercial, industrial and hospitality-related assets in Australia, New Zealand and the United States. Dr Wolf has been instrumental in over \$3 billion worth of property related transactions, corporate acquisitions and divestments and has financed specialist property-based assets in the retirement and hospitality sectors.



SENIOR EXECUTIVE TEAM



1 - ROB BAULDERSTONE

General Manager Finance

Rob is responsible for the Group's financial reporting.

2 - ROD DE ABOITIZ

Chief Financial Officer

Rod is responsible for the Group's and its managed funds' financial management, financial reporting and treasury functions.

3 - KIM KITCHEN

Head of Retail Distribution

Kim is responsible for the distribution of the Group's unlisted retail products.

4 - CAMERON LAIRD

Joint Director Property Ventures

Cameron is responsible for the Group's joint venture developments and fostering new property ventures. In addition he is responsible for the asset management and development activities across the Group's retail portfolio.

5 - GAVIN LECHEM

Director Specialised Capital

Gavin is responsible for matching the capital requirements of the Group's current and future opportunities with those of the investment community.

6 - JOHN L'ESTRANGE

Joint Director Property Ventures

John is responsible for building the Group's property ventures business by overseeing current projects and fostering new opportunities.

7 - LEN LLOYD

Managing Director Abacus Property Services

Len overviews management and administration activities of the Group's property portfolio. Len is also involved in acquisitions, sales and development activities of the portfolio.

8 - PHIL PETERSON

Associate Director – Investments

Phil is the fund manager of the Abacus Storage Fund and is responsible for investment and development activities in addition to the general day to day management of the fund.

9 - PETER STRAIN

Director Property

Peter is responsible for the asset management activities of the Group.

10 - NEIL SUMMERFIELD

Head of Investor Relations

Neil is responsible for investor relations, communications and marketing activities to the Group's listed and wholesale stakeholders.

11 - ALAN THAKE

Associate Director – Investments

Alan is the fund manager for the Groups other unlisted funds including the Abacus Hospitality Fund and ADIF II. He is responsible for investment, development and capital management activities in addition to the general day to day management of the funds.

12 - ELLIS VAREJES

Chief Operating Officer and Company Secretary

Ellis is responsible for the Group's transactional and business functions.

directors report

30 June 2011

The Directors present their report together with the consolidated financial report of Abacus Group Holdings Limited and the auditor's report thereon.

Abacus Group Holdings Limited has been identified as the parent entity of the group referred to as the Abacus Property Group ("APG" or the "Group"). The consolidated financial reports of the Group for the year ended 30 June 2011 comprises the consolidated financial reports of Abacus Group Holdings Limited ("AGHL") and its controlled entities, Abacus Trust ("AT") and its controlled entities, Abacus Group Projects Limited ("AGPL") and its controlled entities and Abacus Income Trust ("AIT") and its controlled entities.

PRINCIPAL ACTIVITIES

The Group operates predominantly in Australia and its principal activities during the course of the year ended 30 June 2011 included:

- investment in commercial, retail and industrial properties;
- participation in property ventures and developments; and
- property funds management.

GROUP STRUCTURE

The Group is comprised of AGHL, AT, AGPL and AIT. Shares in AGHL and AGPL and units in AT and AIT and have been stapled together so that none can be dealt with without the others. An APG security consists of one share in AGHL, one unit in AT, one share in AGPL and one unit in AIT. A transfer, issue or reorganisation of a share or unit in any of the component parts is accompanied by a transfer, issue or reorganisation of a share or unit in each of the other component parts.

AGHL and AGPL are companies that are incorporated and domiciled in Australia. AT and AIT are Australian registered managed investment schemes. Abacus Funds Management Limited ("AFML"), the Responsible Entity of AT and AIT, is incorporated and domiciled in Australia and is a wholly-owned subsidiary of AGHL.

abacus property group

REVIEW AND RESULTS OF OPERATIONS

The Group earned a net profit attributable to members of \$17.4 million for the year ended 30 June 2011 (2010: \$25.4 million). This profit has been calculated in accordance with Australian Accounting Standards and includes certain significant items that need adjustment to enable securityholders to obtain an understanding of the Group's underlying profit of \$72.2 million (2010: \$64.9 million).

The Underlying Profit reflects the statutory profit as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of the Group, in accordance with the AICD / Finsia principles for reporting Underlying Profit.

	2011 \$'000	2010 \$'000
Statutory net profit attributable to securityholders	17,350	25,436
Certain significant items:		
Net change in fair value of investment properties held at balance date	6,158	18,775
Net change in fair value of investments held at balance date	16,285	7,100
Net change in fair value of derivatives	8,458	6,247
Net change in fair value of investment properties included in equity accounted profits from associates and joint ventures	6,871	(619)
Debt forgiveness and provisioning pursuant to the restructuring of Abacus Hospitality Fund (2011) and ADIFII (2010)	16,000	4,900
Net change on property, plant and equipment remeasured at fair value	1,029	-
Impairment of intangibles	-	3,064
Underlying profit	72,151	64,903

The reduction in the Group's statutory performance reflects the impact of restructuring investments in its unlisted retail funds and devaluation of minority investments. In the 30 June 2012 financial year, the Group will undertake a strategic review of its unlisted retail funds management business and investments. The net losses on revaluations (properties and investments) and interest rate swap valuations were \$38.8m as compared with \$31.5m in the previous year.

The increase of the Group's underlying profit reflects higher transactional income including the sale of 343 George Street, Sydney.

	2011	2010
Basic and diluted earnings per security (cents)	4.66	7.65
Basic and diluted underlying earnings per security (cents)	19.38	19.52
Distribution per security (cents) (including proposed distribution)	16.50	15.75

The Group's gearing increased during the year to 25.8% (2010: 22.2%) which reflects increased borrowings to acquire buildings mainly located in Sydney's CBD. The impact of both year-end fair value adjustments and the Group's performance on its financial condition were as follows:

	2011	2010
Total Assets (\$ million)	1,601.6	1,505.3
Gearing (%)	25.8	22.2
Net Assets (\$ million)	1,093.3	1,102.9
Net Tangible Assets (\$ million)	1,045.7	1,054.8
NTA per security (\$)	2.76	2.91
Securities on issue (million)	378.5	362.7
Weighted average securities on issue (million)	372.3	332.5

In accordance with AASB 133 – Earnings Per Share, the comparatives for 30 June 2010 have been retrospectively adjusted on the basis of the 5 : 1 consolidation that was completed on 29 November 2010.

Business activities which contributed to the Group's operating performance and financial condition for the financial year were:

directors report

30 June 2011

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Property

Total property assets (56 properties – both full and partial ownership) at 30 June 2011 were \$1,022 million (2010: \$891 million). The investment property portfolio was independently revalued during the year ended 30 June 2011, on a staggered basis, which resulted in a net full year devaluation charge of \$6.2 million (2010: \$18.8 million).

During the year the Group acquired the following properties:

Birkenhead Point Outlet Centre, Drummoyne (50% ownership)	\$87m
14 Martin Place, Sydney (50% ownership)	\$47.5m
350 George Street, Sydney (50% ownership)	\$14m
32 Walker Street, North Sydney (25% ownership)	\$8.9m
171 Clarence Street, Sydney (100% ownership)	\$29.5m

Nine (9) properties were sold during the year for \$111.9 million which realised a gross profit of \$16.2 million.

The increase in rental income of \$3.0 million in the year was consistent with the increase in the property portfolio.

Funds Management

Difficult market conditions continued to affect the distribution of unlisted retail investment products. The Funds Management division contributed \$13.1 million before fair value adjustments and Abacus Hospitality Fund restructuring costs (2010: \$18.6 million) to the Group's underlying result which is consistent with the downturn in this sector of the market.

The refinancing of bank debt for Abacus Storage Fund ("ASF"), Abacus Hospitality Fund ("AHF") and ADIFII were finalised during the year.

Abacus continues to pursue active management strategies to achieve the stability and sustainability of its current funds and to attract new equity:

- AHF funding was restructured with \$11 million of debt forgiveness and a further \$5 million provision, following an assessment of its recovery as a result of a more volatile trading outlook and continued strength of the AS; and
- ADIFII implemented a number of additional product enhancements to attract new equity. During the period we were pleased that ADIFII was awarded the Rainmaker Marketing Excellence Award for the best new investment product in 2010. ADIFII inflows of \$13 million for the year were satisfactory and reflective of market conditions.

Property Ventures

Total property venture assets at 30 June 2011 were \$218.5 million (2010: \$282.6 million).

Revenue earned from lending and development activities totalled \$15.1 million for the year (2010: \$19.0 million) and its contribution before fair value adjustments was \$11.1 million (2010: 14.4 million).

Softening market conditions have delayed the realisation of capital from a number of projects in the year ended 30 June 2011. It is anticipated that the Hampton residential project and the Colemans Road industrial subdivision will be sold down in the year ending 30 June 2012.

In view of the uncertainty in the capital markets in the United Kingdom, we have written down the carrying value of the Group's minority investment in Lifecare Residences International. As the investment is denominated in £GBP, its valuation is subject to currency fluctuations and the appreciation of the \$AUD against the £GBP during the year has had an adverse impact on the value.

The joint venture investments are predominantly with experienced property investors and developers in New South Wales and Victoria. These joint ventures enable the Group to participate in a range of property-related opportunities with participants who have local knowledge and specialist property expertise.

abacus property group

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year ended 30 June 2011, the contributed equity of the Group increased \$32.8 million to \$1,143.3 million compared to \$1,110.5 million at 30 June 2010 due to securityholder participation in the distribution reinvestment plan.

Total equity decreased by 0.9% to \$1,093.3 million at 30 June 2011 compared to \$1,102.9 million at 30 June 2010.

In August 2010, the Group re-financed its \$480m CLUB facilities with a new 3 year \$400 million syndicated bank debt facility (which replaced the Group's existing \$400 million core facility maturing in February 2011) and a renewed 3 year \$80 million working capital bank debt facility with ANZ (which also had a February 2011 maturity). The Club Facility was a secured, limited recourse debt agreement with ANZ (as lead arranger), CBA and St George Bank. The syndicated facility is also a secured, limited recourse debt agreement with ANZ (as lead syndicator), Westpac, CBA and a foreign bank, Bank of Nova Scotia. Under both agreements, certain properties owned by AT, AIT, AGPL and AGHL form a common security pool, which is collateral for this loan facility. The refinanced facility matures in August 2013.

At 30 June 2011, existing bank loan facilities totalled \$607.9 million, of which \$433.7 million was drawn. The weighted average maturity of its secured, non-recourse bank debt is 2.2 years. The Group manages interest rate exposures on debt facilities through the use of interest rate swap contracts. At 30 June 2011 57.6% (2010: 51.2%) of total debt drawn was covered by interest rate swap arrangements at a weighted average interest rate (including bank margins and fees on both drawn and undrawn amounts) of 7.84% (2010: 8.00%) and a weighted average term to maturity of 4.13 years (2010: 6 years).

DISTRIBUTIONS

Group distributions in respect of the year ended 30 June 2011 were \$61.8 million (2010: \$52.7 million), which is equivalent to 16.5 cents per stapled security (2010: 15.75 cents). This distribution includes 8.25 cents (\$31.2 million) that was paid on 15 August 2011. Further details on the distributions are set out in note 9 of the financial statements.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 13 July 2011 the Group exchanged contracts to purchase 309 George Street Sydney, a 15 level retail and commercial building. The total purchase consideration is \$68.75 million excluding transaction costs. Settlement is scheduled to occur in October 2011 and the Group has entered into a heads of agreement anticipating that the third party will subscribe for a 75% interest in this property.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group will continue to pursue strategies that seek to improve total security holder returns and market share of its activities during the coming year. In the opinion of the Directors, disclosure of any further information on future developments and results than is already disclosed in this report or the financial statements would be unreasonably prejudicial to the interests of the Group.

DIRECTORS AND SECRETARY

The Directors of AGHL, Abacus Funds Management Limited ("AFML") (the Responsible Entity of AT and AIT) and AGPL in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

John Thame	Chairman (Non-executive)
Frank Wolf	Managing Director
William Bartlett	Non-executive Director
David Bastian	Non-executive Director
Dennis Bluth	Non-executive Director (retired 12 November 2010)
Malcolm Irving	Non-executive Director
Len Lloyd	Executive Director (retired 12 November 2010)
Myra Salkinder	Non-executive Director (appointed 12 April 2011)

directors report

30 June 2011

DIRECTORS AND SECRETARY (CONTINUED)

The qualifications, experience and special responsibilities of the Directors and Company Secretary are as follows:

John Thame AIBF, FCPA	Chairman (non-executive)
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Mr Thame has over 30 years' experience in the retail financial services industry in senior management positions. His 26-year career with Advance Bank included 10 years as Managing Director until the Bank's merger with St George Bank Limited in 1997. Mr Thame was Chairman (2004 to 2008) and a director (1997 to 2008) of St George Bank Limited and St George Life Limited. He is also a director of Reckon Limited and The Village Building Co Limited (Group).

Mr Thame is Chairman of the Due Diligence Committee and an ex-officio member of the Audit & Risk and Remuneration & Nomination Committees.

Frank Wolf PhD, BA Hons	Managing Director
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Dr Wolf has over 20 years' experience in the property and financial services industries, including involvement in retail, commercial, industrial and hospitality-related assets in Australia, New Zealand and the United States. Dr Wolf has been instrumental in over \$3 billion worth of property related transactions, corporate acquisitions and divestments and has financed specialist property-based assets in the retirement and hospitality sectors.

Dr Wolf is a director of HGL Limited, a diversified publicly listed investment company.

William J Bartlett FCA, CPA, FCMA, CA(SA)
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Mr Bartlett is a Non-Executive Director. As a partner at Ernst & Young for 23 years, he held the roles of Chairman of Worldwide Insurance Practice, National Director of Australian Financial Services Practice and Chairman of the Client Service Board. Mr Bartlett is a director of Suncorp-Metway Limited, GWA Limited, Reinsurance Group of America Inc and RGA Reinsurance Company of Australia Limited. Mr Bartlett was a director of Arana Therapeutics Limited (2004 to 2007). He is also Chairman of the Council of Governors for the Cerebral Palsy Foundation and a director of the Bradman Foundation and Museum.

Mr Bartlett is Chairman of the Remuneration & Nomination Committee and a member of the Due Diligence and Audit & Risk Committees.

David Bastian CPA

Mr Bastian is a Non-Executive Director and has almost 40 years' experience in the financial services industry. He was the Managing Director of the Group until September 2006, Managing Director of the Canberra Building Society for 20 years and an Executive Director of Godfrey Pembroke Financial Services Pty Limited for 7 years.

Mr Bastian is a member of the Due Diligence and Remuneration & Nomination Committees

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DIRECTORS AND SECRETARY (CONTINUED)

Malcolm Irving AM, FCPA, SF Fin, BCom, Hon DLitt

Mr Irving is a Non-Executive Director and has over 40 years' experience in company management, including 12 years as Managing Director of CIBC Australia Limited. He was a director of Thales Australia Limited (2000 to 2010). He is also a director of O'Connell Street Associates Pty Ltd and Macquarie University Hospital.

Mr Irving is Chairman of the Audit & Risk and Compliance Committees and a member of the Due Diligence and Remuneration & Nomination Committees.

Myra Salkinder MBA, BA

Mrs Salkinder is a Non-Executive Director and is a senior executive of the Kirsh Group. She has been integrally involved over many years with the continued expansion of the Kirsh Group's property and other investments, both in South Africa and internationally. Mrs Salkinder is a director of various companies associated with the Kirsh Group worldwide.

Mrs Salkinder is member of the Due Dilligence and Audit & Risk Committees.

Ellis Varejes BCom, LLB Company Secretary and Chief Operating Officer

Mr Varejes has been the Company Secretary since September 2006. He has over 25 years' experience as a corporate lawyer in private practice.

As at the date of this report, the relevant interests of the directors in the stapled securities of Abacus Property Group were as follows:

Directors	APG securities held
J Thame	55,364
F Wolf	2,837,464
W Bartlett	22,806
D Bastian	900,000
M Irving	26,718

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30 June 2011

DIRECTORS AND SECRETARY (CONTINUED)

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) of Abacus Group Holdings Limited and Abacus Funds Management Limited, the manager of the Abacus Property Group, held during the year and the number of meetings attended by each director were as follows:

	BOARD		AUDIT & RISK COMMITTEE		NOMINATION & REMUNERATION COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
J Thame	18	18	4	4	2	2
F Wolf	18	18				
W Bartlett	18	16	4	4	2	2
D Bastian	18	17			2	2
D Bluth	9	8				
M Irving	18	13	4	4	2	2
L Lloyd	9	9				
M Salkinder	3	3	1	1		

Indemnification and Insurance of Directors and Officers

The Group has paid an insurance premium in respect of a contract insuring all directors, full time executive officers and secretary. The terms of this policy prohibit disclosure of the nature of the risks insured or the premium paid.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect of its property activities. Adequate systems are in place for the management of the Group's environmental responsibilities and compliance with the various licence requirements and regulations. No material breaches of requirements or any environmental issues have been identified during the year.

AUDITORS INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is shown on page 23.

NON-AUDIT SERVICES

The following non-audit services were provided by the Group's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Other assurance and compliance services	\$35,500
	<u>\$35,500</u>

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ROUNDING

The amounts contained in this report and in the annual financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the group under ASIC Class Order 98/100. The group is an entity to which the Class Order applies.

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations.

For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the parent company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the executives in the parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the Managing Director and other senior executives of the parent and the Group.

Details of key management personnel (including the highest paid executives of the Company and the Group).

(i) Non-executive Directors

J. Thame	Chairman
W. Bartlett	Director
D. Bastian	Director
D. Bluth	Director (retired 12 November 2010)
M. Irving	Director
M Salkinder	Director (appointed 12 April 2011)

(j) Executive Directors

F. Wolf	Managing Director
L. Lloyd	Director (retired 12 November 2010)

(k) Executives

R. de Aboitiz	Chief Financial Officer
T. Hardwick	Director Funds Management (resigned October 2010)
C. Laird	Director Property Ventures
J. L'Estrange	Director Property Ventures
L. Lloyd	Managing Director – Property Services
P. Strain	Director Property
E. Varejes	Chief Operating Officer

directors report

30 June 2011

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration at a glance

Base salaries

Base salaries paid to executives increased by an average of 4% in the year ended 30 June 2011.

Bonuses

Bonuses totalling \$1,235,500 are payable to the executives of the Group for the year ended 30 June 2011 as compared with \$1,775,000 paid in the previous year (which included a retention bonus of \$500,000 that was paid to the Managing Director). The details of these bonuses are set out in table 1. Bonuses are generally payable only if the underlying net profit target is met. The target was exceeded in the current year. The amount of each bonus was determined by reference to the performance of the executive against agreed key performance indicators (KPIs) and other aspects of the executive's performance considered relevant in the context of the review.

Long Term Incentives

The first issue of 1,923,077 rights was made on 21 March 2011 to the executives of the Group under the Security Appreciation Rights Plan (SARs). The rights are (subject to the terms of the Plan) due to vest on 30 June 2013.

Board oversight of remuneration

Remuneration & Nomination Committee

The Remuneration & Nomination Committee of the Board of Directors is responsible for making recommendations to the Board on the remuneration arrangements for the non-executive directors and executives.

The Committee must comprise at least three directors with a majority of independent members. The members of the Committee during the year were:

W. Bartlett – Chairman (independent non-executive)

D. Bastian – (independent non-executive)

M. Irving – (independent non-executive)

J. Thame – Ex-officio member (independent non-executive)

Under its charter the Committee must meet at least two times during a year. The Committee met twice during the year and the attendance records are set out in the Directors' Report. The Committee's charter can be downloaded from the Corporate Governance section of the Group's website (www.abacusproperty.com.au).

The Committee assesses the appropriateness of the nature and amount of remuneration of non-executive directors and executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a quality performing Board and executive team. The Committee has engaged Deloitte Touche Tohmatsu (external consultants) to provide independent advice on the level and composition of director and executive remuneration. These consultants report to the Committee and the Board.

Remuneration policy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

The Group's policy, which supports the achievement of the Group's overall objective of producing superior performance and growth, is market competitive and designed to reward individual performance and closely align the interests of the executives to those of securityholders through the use of short-term and long-term incentives. To this end, the Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract and retain high calibre executives;
- link executive rewards to the Group's performance;
- have a reasonable portion of executive remuneration at risk; and
- establish performance hurdles for the variable components of executive remuneration.

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REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration policy (continued)

The executives' remuneration consists of the following key elements:

- Fixed remuneration
- Variable remuneration
 - Short term incentive
 - Long term incentive

The fixed remuneration component includes base salary, statutory superannuation and non monetary benefits (car parking and the applicable fringe benefits tax). The variable remuneration component includes short term and long term incentives.

The Group aims to ensure that the split of fixed and variable remuneration for executives is appropriate for the type of business that the Group operates, namely a cyclical, mature business which seeks to provide stable income earnings with a high level of distribution to securityholders. This has generally resulted in higher proportion of fixed remuneration for executives compared to other AREITs and a lower proportion of variable remuneration. The level of fixed remuneration for the senior executives has increased by an average of 4% in the year ended 30 June 2011.

Security Trading policy

The Group has a security trading policy in place for directors and employees. The policy can be downloaded from the Corporate Governance section of the Group's website. Trading in the Group's securities is only permitted within the six week periods commencing on the second trading day after the half-year and full-year results are announced and after the Annual General Meeting. The Chairman may approve trading windows at other times of the year. Trading is not permitted at any time if directors and employees are in receipt of inside information.

Remuneration structure

In accordance with corporate governance best practice, the separate structure of non-executive director and executive remuneration is as follows.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, while incurring a cost that is market competitive.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors must be determined from time to time by a general meeting. The last determination was at the annual general meeting held on 12 November 2010 when securityholders approved an aggregate remuneration limit of \$800,000 per year. This amount represents a limit on non-executive directors' total fees, and does not represent the actual fees paid to non-executive directors which are set out in Table 1. As previously noted the Board has embarked on a process that will lead to changes in the Board's composition over time. This process involved Messrs Bluth and Lloyd retiring in November 2010 and Mrs Salkinder being appointed in April 2011.

The aggregate remuneration limit and the fee structure is reviewed annually. When undertaking the annual review process the Board considers advice from its external consultants which includes a comparison of the fees paid to non-executive directors of other comparable A-REITs.

Fees payable, inclusive of superannuation, to non-executive directors are as follows:

Board/Committee	Role	Fee
Board	Chairman	\$192,000
Board	Member	\$69,000
Audit & Risk Committee	Chairman	\$12,000
Audit & Risk Committee	Member	\$6,000
Compliance Committee	Chairman	\$6,000
Credit Committee	Member	\$6,000
Due Diligence Committee	Member	\$6,000
Remuneration & Nomination Committee	Member	\$6,000
Abacus Storage Funds Management Limited Board	Member	\$9,000

directors report

30 June 2011

REMUNERATION REPORT (AUDITED) (CONTINUED)

Structure (continued)

The payment of additional fees for serving on a Board committee or on the Board of Abacus Storage Funds Management Limited recognises the additional time commitment required by directors who serve in those capacities.

The non-executive directors do not receive retirement benefits; nor do they participate in any incentive programs. The remuneration of non-executive directors for the years ended 30 June 2011 and 2010 is detailed in Table 1 of this report.

Executive remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- reward executives for Group, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of securityholders; and
- ensure remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Remuneration & Nomination Committee received advice from its external consultants.

The Board has negotiated a contract of employment with the Managing Director. Details of this contract are provided below.

Executive remuneration consists of the following key elements:

- fixed remuneration (base salary, superannuation and non-monetary benefits).
- variable remuneration
 - short term incentive; and
 - long term incentive.

The proportion of fixed remuneration and variable remuneration (short term and long term incentives) for each executive is set out in Table 1.

For the year ended 30 June 2011 the Board has determined that within the context of providing market competitive levels of remuneration to Abacus executives, it is appropriate that:

- (a) executives have a significant portion of their total remuneration at risk by linking it to the performance of the business and their own contributions to that performance; and
- (b) executive remuneration be delivered with the proportion of fixed to potential maximum variable pay being, with exceptions for outstanding personal achievement, in the ratio of approximately 60:40.

These arrangements apply to those executives who are invited to participate in the Group's incentive plan. Participation is limited to those executives whose roles have the potential to affect the long-term value of the Group. Market practice dictates that a significant portion of the remuneration of these executives should be linked to long-term incentives.

Both short-term incentives (STIs) and long-term incentives (LTIs) are offered to executives. STIs comprise cash bonuses. LTIs are synthetic equity (comparable to cash-settled options) that generally have a vesting period of approximately three years.

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REMUNERATION REPORT (AUDITED) (CONTINUED)

The table below sets out the structure of the Group's executive remuneration arrangements: Fixed Remuneration

Remuneration component	Method	Purpose	Link to performance
Fixed remuneration	Paid in cash comprises base salary, superannuation contributions and other benefits	Set with reference to role, market, experience and skill-set.	No direct link to performance. Periodic increases are linked to market movements, changes in roles and responsibilities, and to performance.
STI component	Paid in cash as a bonus in September	Rewards executives for their contribution to achievement of Group and business outcomes, as well as individual key performance indicators (KPIs)	Underlying profit is a key financial metric for availability of a bonus. Individual performance is then tested against KPIs, key effectiveness indicators and other internal financial and performance measures.
LTI component	Awards are made in the form of security appreciation rights.	Rewards executives for their contribution to the creation of securityholder value over the longer term.	Directly linked to the increase in the Group's security price over the vesting period (generally 3 years).

Fixed Remuneration

Objective

Fixed remuneration is reviewed annually by the Remuneration & Nomination Committee. The process consists of a review of Group, business unit and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices.

Base Salary

Base salary is set by reference to the executive's position, performance and experience. In order to attract and retain executives of the highest quality the Group aims to set competitive rates of base salary. Base salary levels are benchmarked periodically against the Group's competitors and are reviewed on an annual basis having regard to performance, external market forces and promotion.

The fixed remuneration component of the Group's Managing Director and the most highly remunerated executives is detailed in Table 1.

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30 June 2011

REMUNERATION REPORT (AUDITED) (CONTINUED)

Managing Director's remuneration

In determining the Managing Director's remuneration the Board considered data from the general market (general listed industry companies of comparable size and, within that, A-REITs of comparable size) to determine an appropriate market-competitive level of pay, his personal performance and his value to the Group. The board also evaluates his performance against agreed strategic goals and other performance metrics.

The Group considers that this approach works well in achieving its performance and remuneration objectives. The Group's ability to withstand the global financial crisis which particularly affected the A-REIT sector, to attract third party capital from substantial overseas groups and to acquire new flagship assets is evidence of the success of the remuneration approach. A number of properties including 343 George Street, Sydney were divested during the year which realised a combined gross profit of \$16.2 million. The Managing Director contributed significantly to the achievement of these key outcomes, and this is consequently reflected in his remuneration.

Variable Remuneration – Short Term Incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets.

Structure

The STI plan is designed to link financial rewards with improving the underlying financial strength of the business.

- STI pool – available for short-term incentive awards is linked directly to the achievement of underlying net profit target for the assessment year.
- KPIs – the performance measures that determine individual awards under the short-term incentive plan represent the contributions to be made by executives to the Group's financial and operating performance.

Securityholders expect that the Board consider the financial performance of the business when forming decisions about whether to pay a bonus or not, and, if so, the size of bonuses. The Board has established a process to manage the assessment and payment of STI entitlements through

KPIs and key effectiveness indicators. The process is set out as follows:

Beginning of the year

Set the Plan parameters

- Underlying net profit* target for coming year
- KPIs for each participant
- Maximum STIs payable for each participant
- Determine maximum STI pool size based on sum of individual theoretical maximums



Year-end

Measure Group financial performance

- Is underlying net profit target met or exceeded?
- If no, bonuses will generally not be available
- If yes, gateway is passed



After year-end

Distribute bonus

- Assess individual performance against KPIs
- STIs paid in cash

*The Board has compared the Group's performance against several financial performance measures over annual periods to determine the strength of the relationship between the measures and security-holder value creation (measured by total security-holder return) and hence the most appropriate measure to determine entitlements to STIs. Based on this analysis the Board has adopted underlying net profit as the measure. Underlying net profit reflects the statutory profit as adjusted in order to present a figure that reflects the Directors' assessment of the result for the ongoing business activities of the Group, in accordance with the AICD/Finsia principles for reporting underlying profit.

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REMUNERATION REPORT (AUDITED) (CONTINUED)

Variable Remuneration – Short Term Incentive (STI) (continued)

Structure (continued)

For each relevant year the Board will specify an underlying net profit target that operates as a gateway that must be passed if bonuses are to be generally payable. The Board retains a discretion, based on its view of the circumstances at the time, to adjust the pool size.

If the underlying net profit target has been missed by a small amount, the Board may reduce but not eliminate the pool if it determines the circumstances warrant such action. If performance has been exceptionally strong the Board may increase the total pool size to provide additional bonuses reflecting above target performance. Where the financial gateway has not been achieved and the Board determines that no bonus pool will generally be available, it retains the discretion to pay bonuses to selected individuals to reward them for their above target performance.

If an executive is no longer employed at the time when the Group pays STIs for any relevant year then that executive will generally not be entitled to be paid their STI bonus if the relevant executive resigned for any reason or if their employment was terminated with cause.

Key Performance Indicators

Where STIs are to be paid it is necessary to determine how STI entitlements will be quantified for participating executives.

STI payments made to each executive depend on the extent to which KPIs set at the beginning of the financial year are met. Account is also taken of qualitative indicators of effectiveness, performance and behaviour. They are the primary tools the Board uses as a means of determining performance against expectations in order to distribute STIs where the financial performance gateway specified by the Board has been achieved.

PERFORMANCE MEASURES	PROPORTION OF STI AWARD MEASURE APPLIES TO
Financial measure:	20-40% (dependant on role)
Contribution to Group underlying profit	
Non-financial measures:	60-80%
- Quality of analysis and recommendations - reporting and financial requirements - Tax and compliance requirements - Transaction and project management - Key growth activities - Risk management - Leadership, staff management, teambuilding and succession - Other performance measures focused on achieving business imperatives	

These measures were chosen as they represent the key drivers for the short-term success of the business and provide a framework for long term securityholder value.

The Board is mindful of the competing needs for the Group to:

- maintain a robust framework by which performance expectations are set and measured; and
- retain its flexibility and entrepreneurialism as an organisation.

The Board has the discretion to consider each executive's total contribution to the Group in addition to the specific KPIs selected for the relevant year.

directors report

30 June 2011

REMUNERATION REPORT (AUDITED) (CONTINUED)

Key Performance Indicators (continued)

The target levels of performance set by the Board are challenging, and payment of 100% of STI opportunity to an executive requires exceptional performance. The overall level of STI paid to executives (excluding the Managing Director) in the year ended 30 June 2011 was 80% of the available pool.

The payment of STIs to executives is subject to approval by the Remuneration and Nomination Committee. The Committee consider the performance of the executive against the KPIs and approves the amount, if any, of the STI to be paid.

For the 2011 financial year an STI cash bonus of \$1,235,500 has been accrued and will be paid in September 2011.

For the 2010 financial year, 100% of the STI cash bonus of \$1,775,000 (which included a retention bonus of \$500,000 that was paid to the Managing Director) accrued in that year vested and was paid to executives in the 2011 financial year. There were no forfeitures.

Variable Remuneration – Long Term Incentive (LTI)

Selected executives are invited by the Board to participate in the LTI plan which rewards improved Group performance and returns to securityholders. Awards under the plan are linked directly to the Group's security price and executives will not benefit under the plan unless the security price improves over the relevant vesting period.

Objective

The objective of the LTI plan is to reward executives in a manner that aligns remuneration with the creation of securityholder wealth. LTI grants are made only to executives who are able to influence the generation of securityholder wealth and consequently have the potential to have an impact on the Group's performance.

LTI Security Appreciation Rights Plan (SARs)

The plan has been designed to align the interests of executives with those of securityholders by providing for a significant portion of the remuneration of participating executives to be linked to the long-term price performance of the Group's securities.

The SARs plan is an LTI plan under which:

- Eligibility to participate is based on the performance assessment completed in determining STI awards.
- Key executives may be allocated a number of SARs in any year as part of their annual remuneration package. The number of SARs allocated is determined by reference to:
 - the target LTI portion of each participant's annual remuneration package; and
 - an adjustment factor (up or down) based on the annual STI performance assessment for the prior year and other relevant factors taken into account by the Board in its discretion.
- Each SAR is equivalent to the positive change in market value of one Group security over the vesting period.
- SARs vest at the end of a three-year period provided the executive remains employed by the Group at the vesting date (or otherwise at the Board's discretion).
- The Board will calculate the difference between the 5-day volume weighted average price (VWAP) of Abacus securities on the last day of the vesting period (generally 30 June in the vesting year) less the 5-day VWAP of Group securities as at the day before the commencement of the vesting period (generally 1 July of the grant year). If the difference is positive, then the difference will be multiplied by the number of SARs allocated to the relevant executive that have vested. An amount equal to the product will be paid to the relevant executive.
- Payment entitlements will be subject to PAYG tax withholding and will be made as soon as practicable following the completion of the vesting period.

The Board retains the discretion to allocate SARs in excess of the target LTI amount in cases of exceptional performance.

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REMUNERATION REPORT (AUDITED) (CONTINUED)

LTI Security Appreciation Rights Plan (continued)

Security Appreciation Rights Plan

The plan exposes executives to fluctuations in the security price throughout the vesting period and directly rewards them for the increase in the Group's security price over that period. If the Group's security price does not increase over the vesting period, executives will not be entitled to any payment under the plan.

The Group's security price was chosen as the key measure for the LTI on the basis that it:

- reflects the market's assessment of the success or failure of management over the long term; and
- is a comprehensive single objective metric that reflects the market's assessment of all aspects of the Group's financial performance.

SARs payouts are cash bonuses, the size of which is determined by reference to the security price.

Each SAR payout is subject to:

- income tax at the recipient's marginal income tax rate in the year in which the bonus is paid; and
- PAYG

in the same manner as other cash remuneration payments.

The grant and vesting level of rights for key management personnel during the 2011 financial year was as follows:

Allocation of share appreciation rights to key management personnel

	NUMBER	AWARD DATE	EXERCISE PRICE	FAIR VALUE PER RIGHT	EXPIRY DATE
Director					
Frank Wolf	730,769	21/03/2011	\$2.05	\$0.2225	30/06/2013
Executives					
Ellis Varejes	269,231	21/03/2011	\$2.05	\$0.2225	30/06/2013
John L'Estrange	153,846	21/03/2011	\$2.05	\$0.2225	30/06/2013
Cameron Laird	153,846	21/03/2011	\$2.05	\$0.2225	30/06/2013
Rod de Aboitiz	153,846	21/03/2011	\$2.05	\$0.2225	30/06/2013
Len Lloyd	230,769	21/03/2011	\$2.05	\$0.2225	30/06/2013
Peter Strain	230,769	21/03/2011	\$2.05	\$0.2225	30/06/2013

The expense recognised for the year is set out in Note 28.

There were no grants of rights in prior periods.

directors report

30 June 2011

REMUNERATION REPORT (AUDITED) (CONTINUED)

Link between remuneration policy and the Group's performance

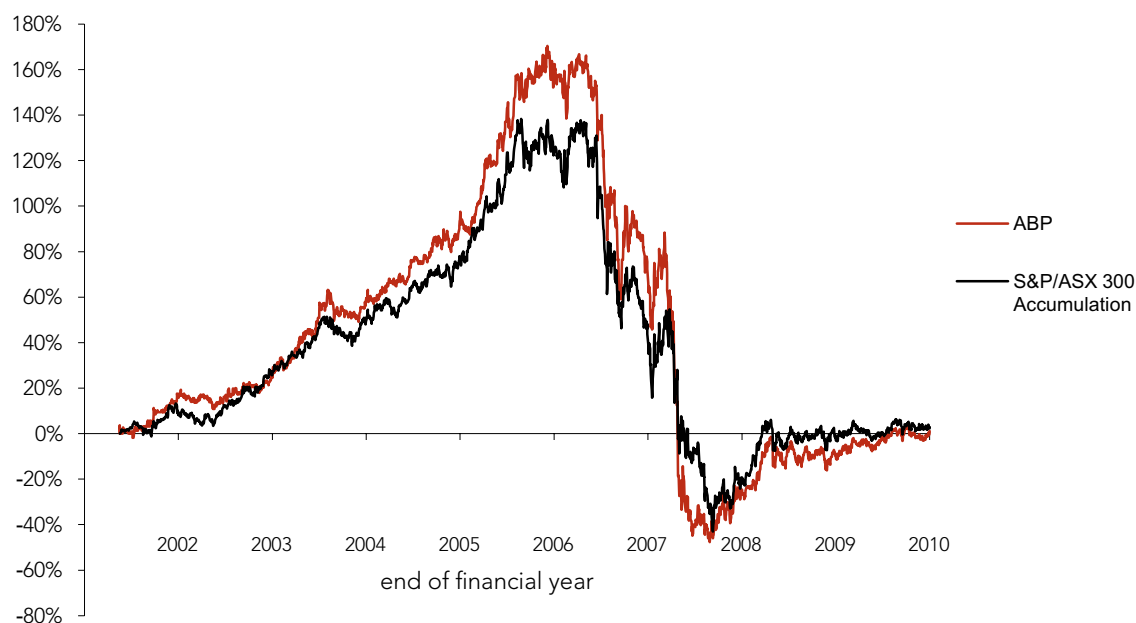
The Group's performance is regularly compared with its peers in the S&P/ASX 300 A-REIT. This peer group reflects the Group's competitors for capital transactions and talent. As previously discussed, executives are eligible to receive an STI and participate in the LTI plan. Both STIs and LTIs are risk-related components of total remuneration as payment entitlements are dependent on performance. The Group's objective is for remuneration policy to encourage business strategy and implementation that achieves growth in total securityholder returns and favourable peer comparison.

Accordingly, the size of the STI is directly related to Group performance and a range of key measures that impact on shareholder value.

The value of Security Appreciation Rights that vest is directly related to the Group's security price.

The Group's performance in comparison with the S&P/ASX 300 A-REIT is set out in the following graph:

APG and S&P/ASX 300 A-REIT Accumulation Index Total Return



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REMUNERATION REPORT (AUDITED) (CONTINUED)

The Group's performance for the past five years is as follows:

	2007	2008	2009	2010	2011*
Underlying/normalised earnings per security (cents)	14.43	13.98	8.30	3.90	19.38
Distributions paid and proposed (cents)	12.50	13.50	7.75	3.15	16.50
Closing security price	\$1.98	\$1.15	\$0.37	\$0.41	\$2.31
Net tangible assets per security	\$1.32	\$1.37	\$0.62	\$0.58	\$2.76
Weighted average securities on issue	553.2m	650.9m	867.5m	1,662.5m	372.3m

*The Group's securities were consolidated on a 5:1 basis on 29 November 2010.

Employment contracts

Managing Director

The Managing Director, Dr Wolf, is employed under a rolling contract. The current employment contract commenced on 10 October 2002. Under the terms of the contract:

- Dr Wolf receives a base salary that is reviewed annually;
- he is eligible to participate in the LTI plans that are made available and to receive STI payments;
- Dr Wolf may resign from his position and thus terminate this contract by giving 6 months written notice; and

- the Group may terminate this employment agreement by providing 12 months written notice or providing payment in lieu of notice (based on the fixed component of Dr Wolf's remuneration).

Other Executives

The other executives are employed on an ongoing basis under letter agreements until (generally) one month's notice is given by either party. The Group may terminate an executive's service at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to remuneration up to the date of termination. Deferred STI and LTI awards vest according to the plan rules.

TABLE 1: REMUNERATION OF KEY MANAGEMENT PERSONNEL

2011	SHORT-TERM BENEFITS			TOTAL CASH PAYMENTS AND SHORT TERM BENEFITS	POST EMPLOYMENT		LONG-TERM BENEFITS	SECURITY-BASED PAYMENT	TOTAL	% PER-FORMANCE RELATED
	SALARY & FEES	CASH BONUS	NON-MONETARY BENEFITS		SUPER-ANNUATION	RETIREMENT BENEFITS				
Non-executive directors										
J Thame - Chairman	176,801	-	-	176,801	15,199	-	-	-	192,000	-
W Bartlett	79,817	-	-	79,817	7,183	-	-	-	87,000	-
D Bastian	40,000	-	-	40,000	50,000	-	-	-	90,000	-
D Bluth (retired 12 November 2010)	-	-	-	-	30,800	-	-	-	30,800	-
M Irving	108,000	-	-	108,000	-	-	-	-	108,000	-
M Salkinder (appointed 12 April 2011)	18,207	-	-	18,207	1,639	-	-	-	19,846	-
Sub-total non-executive directors	422,825	-	-	422,825	104,821	-	-	-	527,646	-
Executive Directors										
F Wolf - Managing Director	1,150,000	500,000	5,135	1,655,135	50,000	-	19,634	20,339	1,745,108	30%
Other key management personnel										
R de Aboitiz - Chief Financial Officer	474,801	100,000	-	574,801	15,199	-	-	4,282	594,282	18%
T Hardwick - Director Funds Management^	7,266	-	-	7,266	1,389	189,808	-	-	198,463	-
C Laird - Director Property Ventures	409,801	118,500	-	528,301	15,199	-	-	4,282	547,782	22%
J L'Estrange - Director Property Ventures	411,801	74,000	5,135	490,936	33,199	-	7,605	4,282	536,022	15%
L Lloyd - Managing Director, Property Services*	350,000	147,000	-	497,000	50,000	-	12,447	6,423	565,870	27%
P Strain - Director Property	375,000	147,500	5,135	527,635	50,000	-	10,113	6,423	594,171	26%
E Varejes - Chief Operating Officer	472,100	148,500	5,135	625,735	27,900	-	45,570	7,493	706,698	22%
Sub-total executive KMP	3,650,769	1,235,500	20,540	4,906,809	242,886	189,808	95,369	53,524	5,488,396	
Total	4,073,594	1,235,500	20,540	5,329,634	347,707	189,808	95,369	53,524	6,016,042	

*L Lloyd retired as a director of Abacus Group Holdings Limited, Abacus Group Projects Limited and Abacus Funds Management Limited on 12 November 2010 but continued to perform his executive duties. ^ T Hardwick resigned in October 2010.

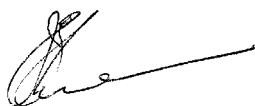
TABLE 1: REMUNERATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

2010	SHORT-TERM BENEFITS				POST EMPLOYMENT			LONG-TERM BENEFITS	SECURITY-BASED PAYMENT	TOTAL	% PER-FORMANCE RELATED
	SALARY & FEES	CASH BONUS	NON-MONETARY BENEFITS	TOTAL CASH PAYMENTS AND SHORT TERM BENEFITS	SUPER-ANNUATION	RETIREMENT BENEFITS	LONG SERVICE LEAVE				
Executive Directors											
J Thame - Chairman	177,890	-	-	177,890	14,461	-	-	-	-	192,351	-
W Bartlett	79,817	-	-	79,817	7,183	-	-	-	-	87,000	-
D Bastian	53,762	-	-	53,762	36,238	-	-	-	-	90,000	-
D Bluth	34,000	-	-	34,000	50,000	-	-	-	-	84,000	-
M Irving	108,000	-	-	108,000	-	-	-	-	-	108,000	-
Sub-total non-executive directors	453,469	-	-	453,469	107,882	-	-	-	-	561,351	-
Executive Directors											
F Wolf - Managing Director	1,150,000	1,000,000	4,279	2,154,279	50,000	-	19,660	-	-	2,223,939	45%
L Lloyd - Managing Director, Property Services	300,000	150,000	-	450,000	50,000	-	5,513	-	-	505,513	30%
Other key management personnel											
R de Aboitiz - Chief Financial Officer	455,539	125,000	-	580,539	14,461	-	-	-	-	595,000	21%
T Hardwick - Director Funds Management	455,539	-	-	455,539	14,461	-	-	-	-	470,000	-
C Laird - Director Joint Ventures	385,539	125,000	-	510,539	14,461	-	-	-	-	525,000	24%
J L'Estrange - General Manager Property Finance	397,539	75,000	4,279	476,818	32,461	-	7,056	-	-	516,335	15%
P Strain - Director Property	385,539	150,000	4,279	539,818	14,461	-	12,279	-	-	566,558	26%
E Varejes - Chief Operating Officer	442,000	150,000	4,279	596,279	28,000	-	-	-	-	624,279	24%
Sub-total executive KMP	3,971,695	1,775,000	17,116	5,763,811	218,305	-	44,508	-	-	6,026,624	
Total	4,425,164	1,775,000	17,116	6,217,280	326,187	-	44,508	-	-	6,587,975	

directors report

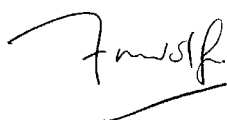
30 June 2011

Signed in accordance with a resolution of the directors.
Abacus Group Holdings Limited (ABN 31 080 604 619)



John Thame
Chairman

Sydney, 25 August 2011



Frank Wolf
Managing Director

Auditor's Independence Declaration to the Directors of Abacus Group Holdings Limited

In relation to our audit of the financial report of Abacus Group Holdings Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A blue ink signature of the Ernst & Young representative, written in a cursive style.

Ernst & Young

A blue ink signature of K. Zdrilic, written in a cursive style.

K. Zdrilic
Partner
25 August 2011

NOTES

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abacus property group FINANCIAL STATEMENTS

DIRECTORY

Abacus Group Holdings Limited
ABN 31 080 604 619

Abacus Group Projects Limited
ABN 11 104 066 104

Abacus Funds Management Limited
ABN 66 007 415 590

Registered Office
Level 34, Australia Square
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T (02) 9253 8600
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**Directors of Responsible Entity and
Abacus Group Holdings Limited**
John Thame, Chairman
Frank Wolf, Managing Director
William Bartlett
David Bastian
Malcolm Irving
Myra Salkinder

Company Secretary
Ellis Varejes

Custodian
Perpetual Trustee Company Limited
Level 12 Angel Place
123 Pitt Street
SYDNEY NSW 2000

Auditor
Ernst & Young
Ernst & Young Centre
680 George Street
SYDNEY NSW 2000

Compliance Plan Auditor
Ernst & Young
Ernst & Young Centre
680 George Street
SYDNEY NSW 2000

Share Registry
Boardroom Pty Ltd
Level 7, 207 Kent St
SYDNEY NSW 2000
T 1300 737 760
F 1300 653 459

consolidated income statement

Year ended 30 June 2011

	NOTES	2011 \$'000	2010 \$'000
REVENUE			
Rental income		74,276	71,238
Finance income	6(a)	23,263	17,940
Funds management income	6(b)	20,438	25,075
Sale of inventory		78,000	-
Net gain on sale of property, plant and equipment		364	-
Net change in fair value of investment properties derecognised		1,271	2,116
Net change in fair value of investments and financial instruments derecognised	6(c)	3,013	5,174
Share of profit / (loss) from equity accounted investments	17(b)	(3,413)	6,463
Income from distributions		1,367	1,784
Other		2,430	-
Total Revenue and Other Income		201,009	129,790
Property expenses & outgoings		(13,531)	(11,677)
Depreciation, amortisation and impairment expense	7(a)	(3,129)	(4,728)
Cost of inventory sales		(63,094)	-
Net change in fair value of derivatives	7(b)	(8,458)	(6,247)
Net change in fair value of investment properties held at balance date		(6,158)	(18,775)
Net change in fair value of investments held at balance date	7(c)	(16,285)	(7,100)
Finance costs	7(d)	(33,912)	(29,722)
Impairment charges - related parties	17(a)	(16,000)	(4,900)
Administrative and other expenses	7(e)	(22,027)	(20,982)
PROFIT BEFORE TAX		18,415	25,659
Income tax expense	8(a)	(571)	(666)
PROFIT AFTER TAX		17,844	24,993

	NOTES	2011 \$'000	2010 \$'000
less: net (profit) / loss attributable to non-controlling interests			
AT members		8,804	(28,424)
AGPL members		5,997	8,596
AIT members		(9,547)	(5,556)
External		(494)	443
NET PROFIT ATTRIBUTABLE TO MEMBERS OF AGHL		22,604	52
Net profit / (loss) attributable to members of the Group analysed by amounts attributable to:			
AGHL members		22,604	52
AT members		(8,804)	28,424
AGPL members		(5,997)	(8,596)
AIT members		9,547	5,556
NET PROFIT AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE GROUP		17,350	25,436
Basic and diluted earnings per stapled security (cents)	10	4.66	7.65

In accordance with AASB 133 – Earnings Per Share, the comparatives for 30 June 2010 have been retrospectively adjusted on the basis of the 5 : 1 consolidation that was completed on 29 November 2010.

consolidated statement of other comprehensive income

Year ended 30 June 2011

	2011 \$'000	2010 \$'000
NET PROFIT AFTER TAX	17,844	24,993
OTHER COMPREHENSIVE INCOME		
Revaluation of assets, net of tax	549	(706)
Foreign exchange translation adjustments, net of tax	293	53
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	18,686	24,340
Total comprehensive income / (loss) attributable to:		
Members of the APG Group	18,192	24,783
External non-controlling interest	494	(443)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	18,686	24,340
	2011 \$'000	2010 \$'000
Total comprehensive income / (loss) attributable to members of the Group analysed by amounts attributable to:		
AGHL members	23,440	(916)
AT members	(8,804)	28,424
AGPL members	(5,991)	(8,281)
AIT members	9,547	5,556
TOTAL COMPREHENSIVE INCOME AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE GROUP	18,192	24,783

consolidated statement of distribution

Year ended 30 June 2011

	NOTES	2011 \$'000	2010 \$'000
STATEMENT OF DISTRIBUTION			
Net profit attributable to stapled security holders		17,350	25,436
Transfer from retained earnings		43,084	8,615
Distributions paid and payable			
Dec 2010 half-year: 8.25 cents per stapled security		29,842	-
Jun 2010 half-year: 8.25 cents per stapled security*		30,592	-
Dec 2009 half-year: 7.50 cents per stapled security*		-	22,842
Jun 2009 quarter: 3.75 cents per stapled security*		-	11,209
	9	60,434	34,051
Distribution per stapled security (cents per security)	9	16.50	11.25
Weighted average number of securities ('000)	10	372,327	332,496

*The amounts per stapled security have been retrospectively adjusted on the basis of the 5 : 1 consolidation that was completed on 29 November 2010.

consolidated statement of financial position

30 June 2011

	NOTES	2011 \$'000	2010 \$'000
CURRENT ASSETS			
Cash and cash equivalents	11	45,504	21,792
Trade and other receivables	12(a)	12,758	8,842
Property loans	13(a)	33,536	87,011
Other financial assets		959	2,189
Property, plant and equipment held for sale	14	-	20,901
Inventory	15(a)	45,989	60,176
Investment properties held for sale	16	91,131	91,327
Other		3,262	1,949
TOTAL CURRENT ASSETS		233,139	294,187
NON-CURRENT ASSETS			
Property loans	13(b)	307,625	325,199
Other financial assets	13(c)	72,976	47,057
Property, plant and equipment	14	19,325	9,249
Inventory	15(b)	34,489	30,891
Investment properties	16	753,127	617,735
Equity accounted investments	17	127,287	127,710
Deferred tax assets	8(c)	12,481	13,186
Intangible assets and goodwill	18	35,173	35,173
Trade and other receivables	12(b)	6,000	-
Other		-	4,914
TOTAL NON-CURRENT ASSETS		1,368,483	1,211,114
TOTAL ASSETS		1,601,622	1,505,301
CURRENT LIABILITIES			
Trade and other payables	19(a)	13,448	13,001
Interest-bearing loans and borrowings	20(a)	13,450	240,565
Other		3,010	2,834
TOTAL CURRENT LIABILITIES		29,908	256,400
NON-CURRENT LIABILITIES			
Trade and other payables	19(b)	13,575	4,065
Interest-bearing loans and borrowings	20(b)	433,115	109,136
Derivatives at fair value	21	27,360	30,320
Deferred tax liabilities	8(c)	-	284
Other		4,346	2,227
TOTAL NON-CURRENT LIABILITIES		478,396	146,032
TOTAL LIABILITIES		508,304	402,432
NET ASSETS		1,093,318	1,102,869
TOTAL EQUITY		1,093,318	1,102,869

	NOTES	2011 \$'000	2010 \$'000
Equity attributable to members of AGHL:			
Contributed equity		53,699	51,963
Reserves		2,734	1,900
Retained earnings		35,790	13,186
Total equity attributable to members of AGHL		92,223	67,049
Equity attributable to members of AT:			
Contributed equity		860,983	837,064
Accumulated losses		(104,494)	(58,057)
Total equity attributable to members of AT		756,489	779,007
Equity attributable to members of AGPL:			
Contributed equity		9,657	9,459
Reserves		(78)	(85)
Accumulated losses		(17,737)	(11,740)
Total equity attributable to members of AGPL		(8,158)	(2,366)
Equity attributable to members of AIT:			
Contributed equity		218,914	212,031
Retained earnings		20,095	33,349
Total equity attributable to members of AIT		239,009	245,380
Equity attributable to external non-controlling interest:			
Contributed equity		13,887	13,437
Retained earnings / (accumulated losses)		(132)	362
Total equity attributable to external non-controlling interest		13,755	13,799
TOTAL EQUITY		1,093,318	1,102,869
EQUITY			
Contributed equity	24	1,143,253	1,110,517
Reserves		2,656	1,815
Accumulated losses		(66,346)	(23,262)
Total stapled security holders' interest in equity		1,079,563	1,089,070
Total external non-controlling interest		13,755	13,799
TOTAL EQUITY		1,093,318	1,102,869

consolidated statement of changes in equity

Year ended 30 June 2011

	ATTRIBUTABLE TO THE STAPLED SECURITY HOLDER					EXTERNAL	TOTAL EQUITY
	ISSUED CAPITAL \$'000	ASSET REVALUATION RESERVE \$'000	FOREIGN CURRENCY TRANSLATION \$'000	EMPLOYEE EQUITY BENEFITS \$'000	RETAINED EARNINGS \$'000	NON-CONTROLLING INTEREST \$'000	
At 1 July 2010	1,110,517	342	(3,975)	5,448	(23,262)	13,799	1,102,869
Other comprehensive income	-	549	292	-	-	-	841
Net income for the year	-	-	-	-	17,350	494	17,844
Total comprehensive income for the year	-	549	292	-	17,350	494	18,685
Distribution reinvestment plan	32,778	-	-	-	-	-	32,778
Issue costs	(42)	-	-	-	-	-	(42)
Distribution to security holders	-	-	-	-	(60,434)	(538)	(60,972)
At 30 June 2011	1,143,253	891	(3,683)	5,448	(66,346)	13,755	1,093,318

	ATTRIBUTABLE TO THE STAPLED SECURITY HOLDER					EXTERNAL	TOTAL EQUITY \$'000
	ISSUED CAPITAL \$'000	ASSET REVALUATION RESERVE \$'000	FOREIGN CURRENCY TRANSLATION \$'000	EMPLOYEE EQUITY BENEFITS \$'000	RETAINED EARNINGS \$'000	NON- CONTROLLING INTEREST \$'000	
At 1 July 2009	987,497	1,048	(4,028)	5,448	(14,647)	14,409	989,727
Other comprehensive income / (expense)	-	(706)	53	-	-	-	(653)
Net income for the year	-	-	-	-	25,436	(443)	24,993
Total comprehensive income for the year	-	(706)	53	-	25,436	(443)	24,340
Equity raisings	106,265	-	-	-	-	-	106,265
Distribution reinvestment plan	14,272	-	-	-	-	-	14,272
Treasury units	4,720	-	-	-	-	-	4,720
Issue costs	(2,237)	-	-	-	-	-	(2,237)
Distribution to security holders	-	-	-	-	(34,051)	(167)	(34,218)
At 30 June 2010	1,110,517	342	(3,975)	5,448	(23,262)	13,799	1,102,869

consolidated statement of cash flow

Year ended 30 June 2011

	NOTES	2011 \$'000	2010 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Income receipts		185,260	134,581
Interest received		1,970	632
Distributions received		1,328	1,211
Income tax paid		(229)	(2,447)
Finance costs paid		(30,238)	(26,297)
Operating payments		(35,597)	(43,075)
NET CASH FLOWS FROM OPERATING ACTIVITIES	11	122,494	64,605
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments and funds advanced		(91,904)	(76,665)
Proceeds from sale and settlement of investments and funds repaid		58,156	54,214
Purchase of property, plant and equipment		(1,104)	(185)
Disposal of property, plant and equipment		9,867	944
Purchase of investment properties		(175,245)	(37,143)
Disposal of investment properties		32,090	62,556
Purchase of inventories		-	(86,995)
Payment for other investments		20	(1,345)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(168,120)	(84,619)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of stapled securities		-	110,986
Payment of issue / finance costs		(340)	(8,101)
Repayment of borrowings		(136,729)	(300,771)
Proceeds from borrowings		233,283	250,958
Distributions paid		(26,876)	(20,452)
NET CASH FLOWS FROM FINANCING ACTIVITIES		69,338	32,620
NET INCREASE IN CASH AND CASH EQUIVALENTS		23,712	12,606
Net foreign exchange differences		-	62
Cash and cash equivalents at beginning of year		21,792	9,124
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	45,504	21,792

notes to the financial statements

30 June 2011

1. CORPORATE INFORMATION

Abacus Property Group ("APG" or the "Group") is comprised of Abacus Group Holdings Limited ("AGHL") (the nominated parent entity), Abacus Trust ("AT"), Abacus Group Projects Limited ("AGPL") and Abacus Income Trust ("AIT"). Shares in AGHL and AGPL and units in AT and AIT have been stapled together so that neither can be dealt with without the other. The securities trade as one security on the Australian Stock Exchange (the "ASX") under the code ABP.

The financial report of the Group for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 25 August 2011.

The nature of the operations and principal activities of the Group are described in the Directors' report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for investment properties and derivative financial instruments which have been measured at fair value, interests in joint ventures and associates which are accounted for using the equity method, and certain investments and financial assets measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Group under ASIC Class Order 98/100. The Group is an entity to which the class order applies.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS), as issued by the AASB and IASB respectively.

(c) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2010. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2009–5 Amendments to Australian Accounting Standards arising from the annual improvements project (AASB 117, AASB 101, AASB 107, AASB 118, AASB 136, and AASB 139)
- AASB 2010–3 Amendments to Australian Accounting Standards arising from the annual improvements project (AASB 3)
- AASB 2009–8 Amendments to Australian Accounting Standards – Group Cash – settled Share-based Payment Transactions (AASB2)
- AASB 2009–10 Amendments to Australian Accounting Standards – Classification of Rights Issues (AASB 2)

The Group has not elected to early adopt any new standards or amendments.

(ii) Accounting Standards and Interpretations issued but not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2011. These are outlined in the table below.

notes to the financial statements

30 June 2011

Reference	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 124 Related Party Disclosures	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and (c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	The revision will not have a significant impact on the Group's financial statements. The Group will review the definitions to clarify the disclosure requirements.	1 July 2011
AASB 1053 Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local Governments	1 July 2013	The Group is required to report under the Tier 1 requirement as a for-profit entity in the private sector that has public accountability.	1 July 2013

abacus property group

Reference	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2010-5	This standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	This revision will have no significant impact on the Group's financial statements.	1 July 2012
AASB 2010-6	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	The revision will not have a significant impact on the Group's financial statements. The Group will review transactions involving the transfer of assets to determine whether disclosure is required.	1 July 2011
AASB 2010-7	The requirement for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: - The change attributable to changes in credit risk are presented in other comprehensive income (OCI) - The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	The revision will not have a significant impact on the Group's financial statements. The Group will review the revision to clarify the disclosure requirements.	1 July 2013
AASB 2010-8	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.	1 January 2012	The revision will not have a significant impact on the Group's financial statements. Should the amendment be adopted, the Group will recognise currently unrecognised deferred tax asset balances for fair value movements.	1 July 2012
AASB 2009-12	The amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party.	1 January 2011	The revision will not have a significant impact on the Group's financial statements. The Group will review the revision to clarify the disclosure requirements.	1 July 2011

notes to the financial statements

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Reference	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9 – Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be deregistered and measured at fair value through the profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	Under the standard, a financial asset is measured at amortised cost if both of the following conditions are met: (a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All other assets are measured at fair value through the profit and loss. Further, at the date of transition, those loans whose cash flows are not solely predicated on the repayments of principal and interest are not required to be reclassified as fair value financial assets unless there is a change in the Group's business model for managing these financial assets. Where there is a change in business model (e.g. closure of the business line) then the reclassification from amortised cost to fair value applies prospectively from the reclassification date and there is no restatement of any previously recognised gains, losses or interest. The tests above with respect to any potential reclassification of financial assets with variable cash flows will depend on the facts applicable at transition date and cannot be reasonably estimated at this time. The Group will review the classification of its existing financial assets in line with the standard, such as secured and related party loans and options.	1 July 2013

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Reference	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
IFRS 10 – Consolidated Financial Statements	IFRS 10 determines the basis upon which (a) an investor consolidates an investee entity and (b) the presentation and disclosure requirements for consolidated financial reporting. Per IFRS 10 an investor controls an investee entity when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing control the following three elements have to be present: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The standard sets out more expansive criteria for the consolidation and deconsolidation of entities at each reporting period. Facts and circumstances that will need to be considered when conducting periodic testing for consolidation include: - the purpose and design of the entity; - voting rights (both existing and potential and their substantive power); - contractual rights; - scope and nature of key decision making rights; - size and nature of co-investment stakes; - nature and variability of economic returns; and - subordinated and guaranteed interests.	1 January 2013	Estimating the impact of the standard's application on the Group's funds management and joint venture exposures at 1 July 2013 requires consideration of a very broad range of future assumptions and factors which prevents the Group from making a reasonable estimation of the impacts at this time. These future assumptions and factors which will become clearer as the 1 July 2013 application date draws closer include (but not be limited to): (a) steps the Group (and other Australian fund managers and REITS) takes in the 2 year pre-adoption period to both review and revise the structure of its funds management and joint venture interests. (b) Any loan repayments and / or equity subscriptions from funds managed by the Group (e.g. ASF, AHF and ADIFII); (c) The underlying mix, performance and valuation of assets in funds managed by the Group and the variability of the rights and returns to which the Group is entitled and exposed; and (d) Changes in the Group's Funds Management and Property Ventures businesses including new funds and joint ventures created and existing funds and joint ventures wound up.	1 July 2013

notes to the financial statements

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Reference	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
IFRS 10 – Consolidated Financial Statements		1 January 2013	Where there is a consolidation event on the initial application of the standard on 1 July 2013, then the resulting gain or loss on consolidation would be taken up as an adjustment of equity. The Standard broadens the situations where an entity is likely to be considered to control another entity and includes specific guidance for when a manager / Responsible Entity may consolidate in situations when it owns less than 50% of the Fund. This is likely to lead to some entities which are owned less than 50% by the Group being consolidated into the Group's financial report when they are restated on application of this accounting standard. The Group will, over the 2 year application period, work with its auditors and other relevant peers and professionals to best determine the impacts and best prepare the Group for the standard's 1 July 2013 adoption.	1 July 2013
IFRS 11 Joint arrangements	IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore, the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for joint arrangements is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the ventures a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	The Group will review the nature of its investments in joint ventures and jointly-controlled entities and account for them in accordance with the standard. This determination may have an impact on how the Group accounts for its investments.	1 July 2013

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Reference	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
IFRS 12 Disclosure of interests in other entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests	1 January 2013	The standard will result in increased disclosures on the Group's interests in its investments.	1 July 2013

*designates the beginning of the applicable annual reporting period

AASB 2009-14, AASB 2010-2, AASB 1054 and Interpretation 19 will have no application to the Group.

notes to the financial statements

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of AGHL and its subsidiaries, AT and its subsidiaries, AGPL and its subsidiaries, and AIT and its subsidiaries collectively referred to as the Group.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies with adjustments made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits from intra-group transactions, have been eliminated in full and subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Group has control.

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.

Non-controlling interests represent those equity interests in Abacus Jigsaw Trust and Abacus Independent Retail Property Trust that are not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet.

(e) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of the Group are in Australian dollars. Each entity in the Group determines its own functional currency and items are included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

At reporting date the assets and liabilities of these entities are translated into the presentation currency of the Group at the rate of exchange prevailing at balance date and the financial performance is translated at the average exchange rate prevailing during the reporting period. The exchange differences arising on translation are taken directly to the foreign currency translation reserve in equity.

(f) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rental income

Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Revenue recognition (continued)

Finance Income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends and distributions

Revenue is recognised when the Group's right to receive the payment is established.

Net change in fair value of investments and financial instruments derecognised during the year

Revenue from sale of investments is recognised on settlement when the significant risks and rewards of the ownership of the investments have been transferred to the buyer. Risks and rewards are generally considered to have passed to the buyer at the time of settlement of the sale. Financial instruments are derecognised when the right to receive or pay cash flows from the financial derivative has expired or when the entity transfers substantially all the risks and rewards of the financial derivative through termination. Gains or losses due to derecognition are recognised in the statement of comprehensive income.

Net change in fair value of investments held at balance date

Changes in net market value of investments are recognised as revenue or expense in determining the net profit for the period.

Property development sales

Revenue from property development sales is recognised when the significant risks, rewards of ownership and effective control has been transferred to the purchaser which has been determined to occur upon settlement and after contractual duties are completed.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return or there is continuing management involvement to the degree usually associated with ownership.

(g) Expenses

Expenses including rates, taxes and other outgoings, are brought to account on an accrual basis and any related payables are carried at cost.

(h) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(i) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised at amortised cost, which in the case of the Group, is the original invoice amount less an allowance for any uncollectible amounts.

Collectibility of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that collection of the full amount is no longer probable. Bad debts are written off when identified.

notes to the financial statements

30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rates. 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.

The fair values of interest rate swaps are determined by reference to market values for similar instruments.

(k) Investments and other financial assets

All investments are initially recognised at cost, being the fair value of the consideration given.

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale financial assets. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. At 30 June 2011 the Group's investments in listed and unlisted securities have been classified as financial assets at fair value through profit or loss and property loans are classified as loans and receivables.

Recognition and derecognition

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the assets. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

After initial recognition, investments, which are classified as held for trading, are measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit.

Gains or losses on investments held for trading are recognised in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to the Australian Securities Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market or unit price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Financial assets at fair value through profit or loss

A financial asset or financial liability at fair value is designated by the entity at fair value through the profit and loss upon initial recognition. APG uses this designation where doing so results in more relevant information. This group of financial assets and liabilities are managed and their performance evaluated on a fair value basis, in accordance with APG's documented risk management and investment strategy which outlines that these assets and liabilities are managed on a total rate of return basis, and information about the instruments is provided internally on that basis to the entity's key management personnel and the Board.

APG enters into loans and receivables with associated options that provide for a variety of outcomes including repayment of principal and interest, satisfaction through obtaining interests in equity or property or combinations thereof. The fair value of the maximum exposure to credit risk in relation to these instruments was \$68.0million (2010: \$35.4 million).

Loans and receivables

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

Subsidiaries

Investment in subsidiaries are held at lower of cost or recoverable amount.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investment in associates

The Group's investments in its associates are accounted for under the equity method of accounting in the consolidated financial statements. The associates are entities over which the Group has significant influence but not control and accordingly are neither subsidiaries nor joint ventures.

The investment in the associates is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivable and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Investments in associates held by the parent are held at lower of cost and recoverable amount in the parent's financial statements.

(m) Interest in joint ventures

Joint venture entities

The Group's interest in joint venture entities is accounted for under the equity method of accounting in the consolidated financial statements. The investment in the joint venture entities is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the joint ventures.

Investments in joint ventures are held at lower of cost or recoverable amount in the investing entities.

The Group's interest in joint venture assets is accounted for in the financial statements by proportionately consolidating its interests in the assets and liabilities of the joint venture. The Group also recognises its share of the expenses that the joint venture incurs and its share of the income that the joint venture earns.

(n) Property, plant and equipment

Land and buildings are measured at fair value, based on periodic valuations by external independent valuers, less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings – 40 years

Plant and equipment – over 5 to 15 years

Revaluations of land and buildings

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss except to the extent that it offsets a previous revaluation increase for the same asset in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

notes to the financial statements

30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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 in the income statement in the year the asset is derecognised.

(o) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time that the 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 reflects market property specific conditions 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.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of development with a view to sale.

For a transfer from investment property to inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

When the Group completes the construction or development of a "self-constructed investment property", any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Land and buildings are considered to have the function of an investment and are therefore regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than diminution in value of the building content due to the passing of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

The directors obtain independent valuations on investment properties annually to ensure that the carrying amount does not differ materially from the assets' fair value. The cycle of this review is staggered such that investment properties are independently revalued in either the June or the December reporting cycles. In determining fair value, the capitalisation of net income method and the discounting of future cashflows to their present value have been used.

Lease incentives provided by the Group to lessees, and rental guarantees which may be received by the Group from third parties (arising from the acquisition of investment properties) are included in the measurement of fair value of investment property. Leasing costs are treated as separate assets and are amortised over the respective periods to which the lease incentives and rental guarantees apply, either using a straight-line basis, or a basis which is more representative of the pattern of benefits.

Under AASB 140, investment properties, including any plant and equipment, are not subject to depreciation. However, depreciation allowances in respect of certain buildings, plant and equipment are currently available to investors for taxation purposes.

Gains and losses arising from changes in the fair value of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the sale of investment properties are recognised in the income statement in the year of sale.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as lessee

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the lease assets are classified as operating leases.

(q) Goodwill and Intangibles

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This policy for Goodwill is for acquisitions pre 1 July 2009.

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, or groups of 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 or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 8 Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. Following initial recognition, intangibles are carried at cost less accumulated amortisation and impairment losses.

Intangible assets created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life is reviewed at least each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefit embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the income statement through the 'depreciation and amortisation expense' line item.

notes to the financial statements

30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Goodwill and Intangibles (continued)

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(r) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(s) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(t) Provisions and employee leave benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

abacus property group

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Distributions and dividends

The Trusts generally distribute their distributable assessable income to their unitholders. Such distributions are determined by reference to the taxable income of the respective Trusts. Distributable income may include capital gains arising from the disposal of investments and tax-deferred income. Unrealised gains and losses on investments that are recognised as income are usually retained and are generally not assessable or distributable until realised. Capital losses are not distributed to security holders but are retained to be offset against any future realised capital gains.

A liability for dividend or distribution is recognised in the Balance Sheet if the dividend or distribution has been declared, determined or publicly recommended prior to balance date.

(v) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid in the establishment of loan facilities that are yield related are included as part of the carrying amount of loans and borrowings.

Borrowings are classified as non-current liabilities where the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred unless they relate to a qualifying asset or to upfront borrowing establishment and arrangement costs, which are deferred and amortised as an expense over the life of the facility. A qualifying asset is an asset that generally takes more than 12 months to get ready for its intended use or sale. In these circumstances, the financing costs are capitalised into the cost of the asset. Where funds are borrowed by the Group for the acquisition or construction of a qualifying asset, the amount of the borrowing costs capitalised are those incurred in relation to the borrowing.

(w) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Stapled securities are classified as equity. Incremental costs directly attributable to the issue of new securities are shown in equity as a deduction, net of tax, from the proceeds.

(x) Transfers to (from) total equity

In respect of the Group, revaluation increments or decrements arising from changes in the fair value of investment properties and derivative financial instruments, unrealised gains and losses in the net value of investments, accrued income not yet assessable and expenses provided for or accrued not yet deductible, net capital losses and tax free or tax deferred amounts maybe transferred to equity and may not be included in the determination of distributable income.

(y) Non-current assets held for sale

Before classification as held for sale the measurement of the assets is updated. Upon classification as held for sale, assets are recognised at the lower of carrying amount and fair value less costs to sell with the exception of investment properties which are valued in accordance with 2(o).

Gains and losses from revaluations on initial classification and subsequent re-measurement are recognised in the income statement.

(z) Inventories (property development)

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of sales in the ordinary course of business. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value. Where the net realisable value of inventory is less than cost, an impairment expense is recognised in the Statement of Comprehensive Income. Reversals of previously recognised impairment charges are recognised in the Statement of Comprehensive Income such that the inventory is always carried at the lower of cost and net realisable value. Cost includes the purchase consideration, development and holding costs such as borrowing costs, rates and taxes.

notes to the financial statements

30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(za) Taxation

The Group comprises taxable and non-taxable entities. A liability for current and deferred tax and tax expense is only recognised in respect of taxable entities that are subject to income tax and potential capital gains tax as detailed below.

Abacus Trust and Abacus Income Trust

Under current Australian income tax legislation neither AT or AIT are liable to Australian income tax provided security holders are presently entitled to the taxable income of the Trusts and the Trusts generally distribute their taxable income.

Company income tax

AGHL and its Australian resident wholly-owned subsidiaries have formed a Tax Consolidation Group. AGHL has entered into tax funding agreements with its Australian resident wholly-owned subsidiaries, so that each subsidiary agrees to pay or receive its share of the allocated tax at the current tax rate.

The head entity, AGHL and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts.

In addition to its own current and deferred tax amounts, AGHL 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.

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.

Any difference between the amounts assumed and amounts receivable of payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the 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.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(za) Taxation (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(zb) Earnings per stapled security (EPSS)

Basic EPSS is calculated as net profit attributable to stapled security holders, adjusted to exclude costs of servicing equity (other than distributions) divided by the weighted average number of stapled securities on issue during the period under review.

Diluted EPSS is calculated as net profit attributable to stapled security holders, adjusted for:

- costs of servicing equity (other than distributions);
- the after tax effect of dividends and interest associated with dilutive potential stapled securities that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential stapled securities;

divided by the weighted average number of stapled securities and dilutive potential stapled securities, adjusted for any bonus element.

notes to the financial statements

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3. FINANCIAL RISK MANAGEMENT

The risks arising from the use of the Group's financial instruments are credit risk, liquidity risk and market risk (interest rate risk, price risk and foreign currency risk).

The Group's financial risk management focuses on mitigating the unpredictability of the financial markets and its impact on the financial performance of the Group. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Primary responsibility for identification and control financial risks rests with the Treasury Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in derivatives, hedging cover of interest rate risks and cash flow forecast projections.

The main purpose of the financial instruments used by the Group is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions principally interest rate swaps. The purpose is to manage the interest rate exposure arising from the Group's operations and its sources of finance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in notes 2 and 4 to the financial statements.

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, investment in securities and options, secured property loans and interest bearing loans and derivatives with banks.

The Group manages its exposure to risk by:

- derivative counterparties and cash transactions are limited to high credit quality financial institutions;
- policy which limits the amount of credit exposure to any one financial institution;
- providing loans as an investment into joint ventures, associates, related parties and third parties where it is satisfied with the underlying property exposure within that entity;
- regularly monitoring loans and receivables balances on an ongoing basis;
- regularly monitoring the performance of its associates, joint ventures, related parties and third parties on an ongoing basis; and
- obtaining collateral as security (where required or appropriate).

The Group's credit risk is predominately driven by its Property Ventures business which provides loans to third parties, those using the funds for property development. The Group mitigates the exposure to this risk by evaluation of the application before acceptance. The analysis will specifically focus on:

- the Loan Valuation Ratio (LVR) at drawdown;
- mortgage ranking;
- background of the developer (borrower) including previous developments;
- that the terms and conditions of higher ranking mortgages are acceptable to the Group;
- appropriate property insurances are in place with a copy provided to the Group; and
- market analysis of the completed development being used to service drawdown.

The Group also mitigates this risk by ensuring adequate security is obtained and timely monitoring of the financial instrument to identify any potential adverse changes in the credit quality.

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3. FINANCIAL RISK MANAGEMENT(CONTINUED)

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate and diverse amount of committed credit facilities, the ability to close out market positions and the flexibility to raise funds through the issue of new stapled securities or the distribution reinvestment plan.

The Group's policy is to maintain an available loan facility with banks sufficient to meet expected operational expenses and to finance investment acquisitions for a period of 90 days, including the servicing of financial obligations. Current loan facilities are assessed and extended for a maximum period based on the Group's expectations of future interest and market conditions.

As at 30 June 2011, the Group had undrawn committed facilities of \$174.2 million and cash of \$45.5 million which are adequate to cover short term funding requirements.

Further information regarding the Group's debt profile is disclosed in Note 20.

(c) Refinancing Risk

Refinancing risk is the risk that unfavorable interest rate and credit market conditions result in an unacceptable increase in the Group's credit margins and interest cost. Refinancing risk arises when the Group is required to obtain debt to fund existing and new debt positions.

The Group is exposed to refinancing risks arising from the availability of finance as well as the interest rates and credit margins at which financing is available. The Group manages this risk by spreading maturities of borrowings and interest rate swaps and reviewing potential transactions to understand the impact on the Group's credit worthiness.

(d) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Group is exposed to currency risk on its investment in foreign operations, equity investments, investment in associates and property loans denominated in a currency other than the functional currency of Group entities. The currencies in which these transactions are conducted are primarily are denominated in NZD and to much lesser extent GBP.

As a result the Group's balance sheet can be affected by movements in the A\$/NZ\$ and A\$/GBP exchange rates.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group's aim is to keep between 60% and 100% of its borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2011, after taking into account the effect of interest rate swaps, approximately 57.6% of the Group's borrowings are subject to fixed rate agreements (2010: 51.2%).

(d) Market Risk (continued)

Fair value interest rate risk

As the Group holds interest rate swaps against its variable rate debt there is a risk that the economic value of a financial instrument will fluctuate because of changes in market interest rates. The level of fixed rate debt is disclosed in note 23 and this risk is a by-product of the Group's management of its cash flow interest rate risk.

(e) Other market price risk

The Group is exposed to equity securities price risk. The key risk variable is the quoted price of securities which is influenced by a range of factors, most of which are outside the control of the Group. Management of the Group monitors the securities in its investment portfolio based on market indices and published prices. Investments within the portfolio are managed on an individual basis and all buy / sell decisions are approved by the Managing Director and the Chief Financial Officer.

notes to the financial statements

30 June 2011

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgments

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and tax losses on revenue account as management considers that it is probable that future taxable profits will be available to utilise those temporary differences and tax losses.

Classification of and valuation of investments

The Group has decided to classify investments in listed and unlisted securities as 'held for trading' investments and movements in fair value are recognised directly in profit or loss. The fair value of listed securities has been determined by reference to published price quotations in an active market. The fair value of unlisted securities has been determined by reference to the net assets of the entity and available redemption facilities.

Impairment of property loans and financial assets

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. For property loans and interim funding to related funds this involves value in use calculations, which incorporate a number of key

estimates and assumptions around cashflows and fair value of underlying investment properties held by the borrower and expected timing of cashflows from equity raisings of related funds.

Accounting policy – financial assets and liabilities at fair value through profit and loss

A financial asset or financial liability is designated by the entity as being at fair value through profit or loss upon initial recognition. APG uses this designation where doing so results in more relevant information, because it is a group of financial assets and liabilities which is managed and its performance is evaluated on a fair value basis, in accordance with APG's documented risk management and investment strategy, and information about the instruments is provided internally on that basis to the entity's key management personnel and the Board.

Control and significant influence

Determination of whether the Group has control or significant influence over an investee is based on judgemental assessments of both the rights the Group has in the investee and the risks and rewards it is exposed to.

(ii) Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. For goodwill this involves value in use calculations which incorporate a number of key estimates and assumptions around cash flows and fair value of investment properties upon which these determine the revenue / cash flows. The assumptions used in the estimations of the recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 18.

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4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(ii) Significant accounting estimates and assumptions (continued)

Fair value of derivatives

The fair value of derivatives is determined using closing quoted market prices (where there is an active market) or a suitable pricing model based on discounted cash flow analysis using assumptions supported by observable market rates.

Where the derivatives are not quoted in an active market their fair value has been determined using (where available) quoted market inputs and other data relevant to assessing the value of the financial instrument, including financial guarantees granted by the Group, estimates of the probability of exercise.

Valuation of investment properties

The Group makes judgements in respect of the fair value of investment properties (note 2(o)). The fair value of these properties are reviewed regularly by management with reference to annual external independent property valuations and market conditions existing at reporting date, using generally accepted market practices. The assumptions underlying estimated fair values are those relating to the receipt of contractual rents, expected future market rentals, maintenance requirements, capitalisation rates discount rates that reflect current market uncertainties and current and recent property investment prices. If there is any material change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may differ and may need to be re-estimated.

Net realisable value of inventory

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions that require the use of management judgment are reviewed half-yearly. If there is any material change in the carrying value of inventory, an impairment loss is recognized in the income statement.

Fair value of financial assets

APG enters into loans and receivables with associated options that provide for a variety of outcomes including repayment of principal and interest, satisfaction through obtaining interests in equity or property or combinations thereof. At the end of the year, the fair value of the maximum exposure to credit risk in relation to these instruments was \$68.0 million (2010: \$35.4 million).

5. SEGMENT INFORMATION

The Group predominately operates in Australia. Following are the Group's operating segments, which are regularly reviewed by the Chief Operating Decision Maker to make decisions about resources allocation and to assess performance. Effective 1 July 2010, the Joint Ventures and Property Finance operating segments formally merged to create a new Property Ventures segment. The 30 June 2010 comparative has been restated to reflect this internal reporting merger:

- (a) Property: the segment is responsible for the investment in and ownership of commercial, retail and industrial properties. This segment also includes the equity accounting of material co-investments in property entities not engaged in development and construction projects;
- (b) Funds Management: the segment includes development, origination, co-investment and fund management revenues and expenses in addition to discharging the Group's responsible entity obligations; and
- (c) Property Ventures: provides secured lending and related property financing solutions and is also responsible for the Group's investment in joint venture and associates' development and construction projects, which includes revenue from debt and equity investments in joint ventures and associates. This segment also is responsible for the Group's investment in property securities.

Segment revenue, segment expenses and segment result do not include transactions between operating segments.

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5. SEGMENT INFORMATION (CONTINUED)

YEAR ENDED 30 JUNE 2011	PROPERTY \$'000	FUNDS MANAGEMENT \$'000	PROPERTY VENTURES \$'000	TOTAL \$'000
Revenue				
Revenue from external customers	153,626	21,341	21,214	196,181
Equity accounted investments	5,496	(1,211)	(7,698)	(3,413)
Net change in fair value of investments and financial instruments derecognised	2,681	-	1,603	4,284
Other revenue	2,187	243	-	2,430
Other unallocated revenue				1,527
Total consolidated revenue	163,990	20,373	15,119	201,009
Direct costs	(79,755)	-	-	(79,755)
Allocated costs	(9,257)	(7,267)	(3,976)	(20,500)
Unallocated expenses				(1,526)
Segment result before fair value adjustments and non-recurring items	74,978	13,106	11,143	99,228
Debt forgiveness and provisioning (AHF)	-	(16,000)	-	(16,000)
Net change in fair value of investments and financial instruments held at balance date	(6,158)	(311)	(15,974)	(22,443)
Net change in fair value of derivatives				(8,458)
Segment result after fair value adjustments	68,820	(3,205)	(4,831)	52,327
Finance costs				(33,912)
Profit before tax and non-controlling interest				18,415
Income tax expense				(571)
Net profit for the year				17,844
less non-controlling interest				(494)
Net profit for the year attributable to members of the Group				17,350
Assets and Liabilities				
Segment assets	1,022,159	254,525	218,473	1,495,157
Unallocated assets ^(a)				106,465
Total assets				1,601,622
Segment liabilities	11,837	16,520	13,733	42,090
Unallocated liabilities ^(b)				466,214
Total liabilities				508,304
Other segment information:				
Depreciation and amortisation	3,219	-	-	3,219

(a) Unallocated assets include goodwill, cash and other assets (b) Unallocated liabilities include interest-bearing liabilities, tax liabilities and other liabilities.

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5. SEGMENT INFORMATION (CONTINUED)

YEAR ENDED 30 JUNE 2010	PROPERTY \$'000	FUNDS MANAGEMENT \$'000	PROPERTY VENTURES \$'000	TOTAL \$'000
Revenue				
Revenue from external customers	72,567	25,797	17,040	115,404
Equity accounted investments	6,818	(729)	374	6,463
Net change in fair value of investments derecognised	5,670	-	1,620	7,290
Other unallocated revenue				633
Total consolidated revenue	85,055	25,068	19,034	129,790
Direct costs	(16,405)	-	-	(16,405)
Allocated costs	(9,273)	(6,458)	(4,618)	(20,349)
Unallocated expenses				(633)
Segment result before fair value adjustments and non-recurring items	59,377	18,610	14,416	92,403
Debt forgiveness and provisioning (ADIFII)	-	(4,900)	-	(4,900)
Net change in fair value of investments held at balance date	(18,778)	-	(7,097)	(25,875)
Net change in fair value of derivatives				(6,247)
Segment result after fair value adjustments	40,599	13,710	7,319	55,381
Finance costs / loss on derivatives				(29,722)
Loss before tax and non-controlling interest				25,659
Income tax benefit				(666)
Net loss for the year				24,993
less non-controlling interest				443
Net profit for the year attributable to members of the Group				25,436
Assets and Liabilities				
Segment assets	891,193	253,259	282,620	1,427,072
Unallocated assets				78,229
Total assets				1,505,301
Segment liabilities	8,463	10,472	3,698	22,633
Unallocated liabilities				379,799
Total liabilities				402,432
Other segment information:				
Depreciation and amortisation	3,630	-	-	3,630

notes to the financial statements

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6. REVENUE

	2011 \$'000	2010 \$'000
(a) Finance income		
Interest and fee income on secured loans	20,685	17,592
Provision for doubtful debts	1,051	(285)
Bank interest	1,527	633
Total finance income	23,263	17,940
(b) Funds Management Income		
Asset management fees	4,020	5,204
Property management fees	1,191	890
Consulting and other income	333	1,665
Interest on loans to funds management entities	14,894	17,316
Total funds management income	20,438	25,075
(c) Net change in fair value of investments and financial instruments derecognised		
Net change in fair value of financial instruments derecognised	2,451	3,589
Net change in fair value of other investments derecognised	562	1,585
Total net change in fair value of investments and financial instruments derecognised	3,013	5,174

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7. EXPENSES

	2011 \$'000	2010 \$'000
(a) Depreciation, amortisation and impairment expense		
Depreciation of property, plant and equipment	597	589
Net loss on property, plant and equipment remeasured at fair value	1,029	-
Amortisation of software	23	32
Impairment of intangible assets	-	3,064
Amortisation - leasing costs	1,480	1,043
Total depreciation, amortisation and impairment expense	3,129	4,728
(b) Net change in fair value of derivatives		
Interest rate swaps	2,458	5,247
Financial instruments (ADIFII guarantee - A Class unitholders)	6,000	1,000
Total net change in fair value of derivatives	8,458	6,247
(c) Net change in fair value of investments held at balance date		
Net change in fair value of property securities held at balance date	7,022	4,100
Net change in fair value of options held at balance date	9,263	3,000
Total change in fair value of investments held at balance date	16,285	7,100
(d) Finance costs		
Interest on loans	30,026	28,008
Amortisation of finance costs	3,886	1,714
Total finance costs	33,912	29,722
(e) Administrative expenses		
Wages and salaries	11,630	11,578
Contributions to defined contribution plans	1,012	845
Other administrative expenses	9,385	8,559
Total administrative expenses	22,027	20,982

notes to the financial statements

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8. INCOME TAX

	2011 \$'000	2010 \$'000
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax charge	2,661	(5,781)
Adjustments in respect of current income tax of previous years	(1,057)	2,409
Deferred income tax		
Movement in depreciable assets tax depreciation	(333)	578
Relating to origination and reversal of temporary differences	(700)	3,460
Income tax expense / (benefit) reported in the income statement	571	666

(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Profit before income tax expense	18,415	25,659
Prima facie income tax expense calculated at 30%	5,525	7,698
Less prima facie income tax/(benefit) on (profit)/loss from AT and AIT	(4,823)	(15,501)
Prima Facie income tax of entities subject to income tax	702	(7,803)
Entertainment	11	(11)
Foreign exchange translation adjustments	13	271
Impairment of management rights	-	919
Impairment of property, plant and equipment	311	-
Adjustment of prior year tax applied	(1,057)	2,409
Derecognition of deferred tax assets	(69)	3,605
Other items (net)	660	1,276
Income tax expense	571	666
Income tax expense reported in the consolidated income statement	571	666

The group has income tax losses for which no deferred tax asset is recognised on the balance sheet of gross \$6.46 million (2010: \$3.59 million), which are available indefinitely for offset against future income gains subject to continuing to meet relevant statutory tests.

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8. INCOME TAX (CONTINUED)

	2011 \$'000	2010 \$'000
(c) Recognised deferred tax assets and liabilities		
Deferred income tax at 30 June 2011 relates to the following:		
Deferred tax liabilities		
Reset of tax cost bases	1,048	1,048
Other	223	1,509
Gross deferred income tax liabilities	1,271	2,557
Set off of deferred tax assets	(1,271)	(2,273)
Net deferred income tax liabilities	-	284
Deferred tax assets		
Revaluation of financial instruments at fair value	4,773	3,922
Provisions	5,523	3,921
Losses available for offset against future taxable income	2,892	6,761
Employee provisions	492	589
Other	72	266
Gross deferred income tax assets	13,752	15,459
Set off of deferred tax assets	(1,271)	(2,273)
Net deferred income tax assets	12,481	13,186

Unrecognised temporary differences

At 30 June 2011, the Group has unrecognised deferred tax assets on capital account in relation to the fair value of investments (\$2.2 million gross) and fair value of investment properties (\$3.8 million gross) (2010: \$11.1 million).

Tax consolidation

AGHL and its 100% owned Australian resident subsidiaries have formed a tax consolidated group. AGHL is the head entity of the tax consolidated group. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further on the following page.

notes to the financial statements

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8. INCOME TAX (CONTINUED)

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount allocated under the tax funding agreement and the allocation under UIG 1052, the head entity accounts for these as equity transactions.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

9. DISTRIBUTIONS PAID AND PROPOSED

	2011 \$'000	2010 \$'000
(a) Distributions paid during the year		
June 2010 half: 8.25 cents per stapled security (2009: 3.75 cents)*	29,842	11,209
December 2010 half: 8.25 cents per stapled security (2009: 7.50 cents)*	30,592	22,842
	60,434	34,051

(b) Distributions proposed and not recognised as a liability**

June 2011 half: 8.25 cents per stapled security (2010: 8.25 cents)	31,225	29,842
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*The amounts per stapled security have been retrospectively adjusted on the basis of the 5 : 1 consolidation that was completed on 29 November 2010.

Distributions were paid from Abacus Trust and Abacus Income Trust (which do not pay tax provided they distribute all their taxable income) hence, there were no franking credits attached.

**The final distribution of 8.25 cents per stapled security was declared on 1 July 2011. The distribution being paid on or about 15 August 2011 will be approximately \$31.2 million. No provision for the distribution has been recognised in the balance sheet at 30 June 2011 as the distribution had not been declared by the end of the year.

(c) Franking credit balance

The amount of franking credits available for the subsequent financial year are:

Franking account balance as at the beginning of the financial year at 30% (2010: 30%)	10,303	10,303
Prior year adjustment for franking credits that have arisen from the receipt of dividends	93	-
	10,396	10,303

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10. EARNINGS PER STAPLED SECURITY

	2011 \$'000	2010 \$'000
Basic and diluted earnings per stapled security (cents)	4.66	7.65
Reconciliation of earnings used in calculating earnings per stapled security		
Basic and diluted earnings per stapled security		
Net profit	17,350	25,436
	'000	'000
Weighted average number of stapled securities:		
Weighted average number of stapled securities for basic and diluted earning per share	372,327	332,496

In accordance with AASB 133 – Earnings Per Share, the comparatives for 30 June 2010 have been retrospectively adjusted on the basis of the 5 : 1 consolidation that was completed on 29 November 2010.

notes to the financial statements

30 June 2011

11. CASH AND CASH EQUIVALENTS

	2011 \$'000	2010 \$'000
Reconciliation to Cash Flow Statement		
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June 2011:		
Cash at bank and in hand ⁽ⁱ⁾	45,504	21,792
⁽ⁱ⁾ cash at bank earns interest at floating rates. The carrying amounts of cash and cash equivalents represent fair value.		

(a) Reconciliation of net profit after tax to net cash flows from operations

Net profit	17,844	24,993
Adjustments for:		
Depreciation and amortisation of non-current assets	3,129	1,663
Impairment of licences	-	3,064
Provision for doubtful debts	-	285
Impairment charges - related parties	16,000	4,900
Net change in fair value of derivatives	8,458	6,247
Net change in fair value of investment properties held at balance date	6,158	18,775
Net change in fair value of investments held at balance date	16,285	7,100
Net change in fair value of investment properties derecognised	(1,271)	(2,116)
Net change in fair value of investments and financial instruments derecognised	(3,013)	(5,174)
Increase/(decrease) in payables	42,038	14,216
Decrease/(increase) in receivables and other assets	16,866	(9,348)
Net cash from operating activities	122,494	64,605

(b) Disclosure of financing facilities

Refer to note 20d.

(c) Disclosure of non-cash financing activities

Non-cash financing activities include capital raised pursuant to APG's distribution reinvestment plan. During the year 15.8 million stapled securities were issued with a cash equivalent of \$32.8 million.

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12. TRADE AND OTHER RECEIVABLES

	2011 \$'000	2010 \$'000
(a) Current		
Trade debtors	2,007	2,458
Related party receivables	2,536	309
Other debtors	9,215	7,075
Gross receivables	13,758	9,842
Less provision for doubtful debts	(1,000)	(1,000)
Net current receivables	12,758	8,842
(b) Non-current		
Other debtors	6,000	-
Net non-current receivables	6,000	-

notes to the financial statements

30 June 2011

13. PROPERTY LOANS AND OTHER FINANCIAL ASSETS

	2011 \$'000	2010 \$'000
(a) Current property loans		
Secured loans - amortised cost ⁽ⁱ⁾	17,794	60,633
Interim funding to related funds - amortised cost ⁽ⁱⁱ⁾	14,156	22,753
Interest receivable on secured loans - amortised cost	1,530	3,925
Interest receivable on interim funding to related funds	56	900
Provision for doubtful debts	-	(1,200)
	33,536	87,011
(a) Non-current property loans		
Secured loans - amortised cost ⁽ⁱ⁾	144,233	147,402
Interim funding to related funds - amortised cost ^{(ii) (iii)}	127,080	157,631
Loan to related funds - amortised cost ^(iv)	11,869	-
Interest receivable on secured loans - amortised cost	26,134	15,015
Interest receivable on interim funding to related funds	3,158	6,151
Interest receivable on loans to related funds	151	-
Provision for impairment	(5,000)	(1,000)
	307,625	325,199
(c) Non-current other financial assets		
Investments in securities - unlisted (fair value)	4,976	11,666
Other financial assets (fair value) ^{(v) (vi)}	68,000	35,391
	72,976	47,057

(i) Mortgages are secured by real property assets. The current facilities are scheduled to mature and are expected to be realised on or before 30 June 2012 and the non-current facilities will mature between 1 July 2012 and 24 December 2018. Weighted average interest rate was 9.92% pa as at 30 June 2011 (2010: 9.93%). An amount of \$31.8 million (2010: \$32.5 million) is a loan to a related party.

(ii) Interim funding is provided to other entities outside the Group managed by the responsible entity AFML to enable acquisition of properties ahead of receipt of funds from investors. The loans are unsecured and the rates of interest equal the rate of the respective fund's distribution or in the case of Abacus Hospitality Fund, the higher of 8% or the distribution rate. These loans rank equally with other unsecured liabilities and unitholders in the event of winding up.

(iii) The loan to Abacus Storage Fund has the same capital growth entitlements as investor equity up until it is repaid. Recoverability of the loan of \$47.4 million (2010: \$92.3 million) to ADIFII (due 30 June 2018) and the loan of \$59.1 million (2010: \$66.4 million) to the Abacus Hospitality Fund (due 1 March 2016) is predicated on the recovery of property valuations and the expected interest payments received on the loans over the contracted period of the loan.

(iv) The loan to Abacus Storage Fund of \$NZ6.4 million is unsecured and is at a rate of 9% (due 30 September 2013). The loan to Abacus Hospitality Fund of \$7.1 million is unsecured and is at a rate equal to the BBSY rate plus a margin of 3.25% (due 30 July 2014).

(v) The second secured facility to ADIFII is a loan of \$48 million with an embedded derivative (the capital guarantee provided to the ADIFII B and C class unitholders) and the entire loan is treated as fair value through the profit and loss. Refer to note 29 for details.

(vi) APG enters into loans and receivables with associated options that provide for a variety of outcomes including repayment of principal and interest, satisfaction through obtaining interests in equity or property or combinations thereof. At the end of the year, the fair value of the maximum exposure to credit risk in relation to these instruments equates to its book value of \$68.0 million (2010: \$35.4 million).

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14. PROPERTY, PLANT AND EQUIPMENT

	2011 \$'000	2010 \$'000
Land and buildings		
At 1 July, net of accumulated depreciation	29,210	31,258
Disposals	(9,688)	(979)
Revaluations	(481)	(706)
Effect of movements in foreign exchange	(1,007)	(53)
Depreciation charge for the year	(278)	(310)
At 30 June, net of accumulated depreciation	17,756	29,210
Cost or fair value less costs to sell	17,756	29,210
Accumulated depreciation	-	-
Net carrying amount at end of period	17,756	29,210
Plant and equipment		
At 1 July, net of accumulated depreciation	940	1,018
Additions	1,115	182
Disposals	(95)	-
Effect of movements in foreign exchange	(50)	-
Depreciation charge for the year	(341)	(260)
At 30 June, net of accumulated depreciation	1,569	940
Cost or fair value	2,632	1,773
Accumulated depreciation	(1,063)	(833)
Net carrying amount at end of period	1,569	940
Total	19,325	30,150
Current property, plant and equipment (fair value less costs to sell)	-	20,901
Non-current property, plant and equipment (cost or fair value)	19,325	9,249
Total net carrying amount of property, plant and equipment	19,325	30,150
Property		
Hotel properties - Pubs ⁽¹⁾	6,243	7,374
Budget lodge / hostel accommodation	12,012	20,901
Storage properties	937	-
Office Equipment / furniture and fittings	133	1,875
	19,325	30,150

⁽¹⁾ Value of licences are accounted for separately as intangibles (see note 18)

notes to the financial statements

30 June 2011

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

If property, plant and equipment were carried under the cost model, the carrying amount would be \$21.5 million.

The property, plant and equipment are carried at the directors' determination of fair value and are based on independent valuations. The determination of fair value includes reference to the original acquisition cost together with capital expenditure since acquisition and either the latest full independent valuation, latest independent update or directors' valuation. Total acquisition costs include incidental costs of acquisition such as property taxes on acquisition, legal and professional fees and other acquisition related costs.

The independent and director valuations are based on common valuation methodologies including capitalisation and discounted cash flow approaches, which have regard to recent market sales evidence. Accordingly, the directors' valuations at 30 June 2011 have regard to market sales evidence in adopting a market valuation for each property including the key assumptions outlined.

Some of the freehold land and buildings are used as security for secured bank debt (refer to note 20(e)).

15. INVENTORIES

	2011 \$'000	2010 \$'000
(a) current		
Hotel supplies	100	107
Projects		
- purchase consideration	45,889	58,600
- other costs (including finance costs)	-	1,469
	45,989	60,176
(b) non-current		
Projects		
- purchase consideration	20,941	20,941
- development costs	6,842	4,445
- other costs (including finance costs)	6,706	5,505
	34,489	30,891
Total inventories	80,478	91,067

Inventories are held at the lower of cost and net realisable value.

Other costs as described in note 2(z).

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16. INVESTMENT PROPERTIES

	2011 \$'000	2010 \$'000
Investment properties held for sale		
Retail	62,769	52,785
Industrial	26,840	38,040
Other	1,522	502
Total investment properties held for sale	91,131	91,327
Investment properties		
Retail	278,436	218,204
Commercial	357,693	262,220
Industrial	82,349	82,031
Other	34,649	55,280
Total investment properties	753,127	617,735
Total investment properties including held for sale	844,258	709,062

The current investment properties represent 14 properties which are either subject to a sales contract or an active sales campaign. All properties are expected to be sold by 30 June 2012.

Reconciliation

A reconciliation of the carrying amount of investment properties excluding properties held for sale at the beginning and end of the year is as follows:

	2011 \$'000	2010 \$'000
Carrying amount at beginning of the financial period	617,735	708,550
Additions and capital expenditure	208,807	37,488
Fair value adjustments for properties held at balance date	(5,325)	(18,775)
Transfers	(31,874)	(1,850)
Disposals	(7,470)	(60,595)
Effect of movements in foreign exchange	-	(45)
Properties transferred to held for sale	(28,746)	(47,038)
Carrying amount at end of the financial year	753,127	617,735

notes to the financial statements

30 June 2011

16. INVESTMENT PROPERTIES (CONTINUED)

Investment properties are carried at the Directors' determination of fair value and are based on independent valuations. The determination of fair value includes reference to the original acquisition cost together with capital expenditure since acquisition and either the latest full independent valuation, latest independent update or directors' valuation. Total acquisition costs include incidental costs of acquisition such as property taxes on acquisition, legal and professional fees and other acquisition related costs.

Independent valuations of each investment property is conducted annually either in December or June of each year. The key underlying assumptions, on a portfolio basis, contained within the independent and director valuations above are as follows:

- weighted average capitalisation rate for the Group and each category is as follows;
 - Group – 8.50% (30 June 2010: 8.53%)
 - Retail – 8.07% (30 June 2010: 8.03%)
 - Commercial – 8.56% (30 June 2010: 8.48%)
 - Industrial – 9.41% (30 June 2010: 9.31%)
 - Other – 8.76% (30 June 2010: 7.92%)
- The current occupancy rate for the portfolio is 92.8% (30 June 2010: 93.2%) which is not expected to materially change during the period relevant to the valuations:
- A weighted average rent review for the 12 months to 30 June 2012 of 3.0%.

The independent and director valuations are based on common valuation methodologies including capitalisation and discounted cash flow approaches, which have regard to recent market sales evidence. Accordingly, the directors' valuations at 30 June 2011 have regard to market sales evidence in adopting a market valuation for each property including the key assumptions outlined.

Some of the investment properties are used as security for secured bank debt.

As at 30 June 2011, 51.8% of the property portfolio was subject to external valuations, the remaining 48.2% was subject to internal valuation.

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17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	NOTES	2011 \$'000	2010 \$'000
Investment in associates	17 ⁽ⁱ⁾	21,230	23,715
Investment in joint ventures	17 ⁽ⁱⁱ⁾	106,057	103,995
		127,287	127,710

(a) Details of Associates and Joint Ventures

(i) Associates

	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST		CARRYING VALUE	
		2011 %	2010 %	2011 \$'000	2010 \$'000
Stanright Limited ⁽¹⁾	Property investment	-	40	-	3,275
Abacus Storage Fund ⁽²⁾	Storage facility investment	16	15	18,515	16,494
Abacus Miller Street Trust ⁽³⁾	Property investment	30	30	2,715	2,326
Abacus Wodonga Fund ⁽²⁾	Property development	15	15	-	1,620
				21,230	23,715

notes to the financial statements

30 June 2011

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(ii) Joint Ventures ⁽⁴⁾

		OWNERSHIP INTEREST		CARRYING VALUE	
		2011	2010	2011	2010
	PRINCIPAL ACTIVITY	%	%	\$'000	\$'000
Abacus Aspley Village Trust	Property investment	33	33	9,944	19,068
Abacus Rosebery Property Trust	Property development	50	50	1,900	200
Abwill 350 George Street Trust	Property development	50	-	6,862	-
Birkenhead Point Marina Pty Ltd ⁽⁵⁾	Marina operator	50	-	248	-
Fordtrans Pty Ltd (Virginia Park)	Property investment	50	50	64,386	62,409
Hampton Residential Retirement Trust	Property development	50	50	4,657	4,116
Jigsaw Trust	Childcare operator	50	50	9,013	9,013
Pakenham Valley Unit Trust	Property development	50	50	150	4,806
The Abacus Colemans Road Trust	Property development	50	50	1,717	1,986
The Mount Druitt Unit Trust	Property investment	50	50	452	402
The Tulip Unit Trust	Property development	50	50	1,766	1,795
32 Walker St Trust	Property investment	25	-	4,962	-
Willoughby Development Trust	Property development	50	50	-	200
				106,057	103,995

(1) A subsidiary of Abacus Group Holdings Limited, the London Trust, held a 40% interest in Stanright Limited, a UK company which holds a 50% interest in Grant Thornton House in the UK. This interest was sold in October 2010.

(2) The subsidiaries of Abacus Group Holdings Limited act as the Responsible Entities of these Funds.

(3) Abacus Trust has a 30% interest in the Abacus Miller Street Holding Trust which owns 50 Miller Street in North Sydney.

(4) The joint venture entities acquire and develop (generally to the subdivision stage) commercial and residential properties intended for resale.

(5) Operates the marina adjacent to the Birkenhead Point Shopping Centre in Drummoyne NSW.

(iii) Related Parties

There were no impairment losses or contingent liabilities relating to the investment in the associates and joint ventures other than the debt forgiveness and provisions for impairment on the working capital facility owed by Abacus Hospitality Fund (2011: \$16 million) and ADIFII (2010: \$4.9 million).

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17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Extract from associates and joint ventures' profit & loss statements

	2011 \$'000	2010 \$'000
Revenue	209,729	98,977
Expenses	(205,145)	(76,411)
Net profit	4,584	22,566
Share of net profit / (loss)*	(3,413)	6,463

*includes fair value decrements of \$7.5 million (June 2010: increment of \$0.6 million)

(c) Extract from associates and joint ventures' balance sheets

	2011 \$'000	2010 \$'000
Current assets	52,978	129,247
Non-current assets	773,975	760,615
	826,953	889,862
Current liabilities	(38,317)	(217,782)
Non-current liabilities	(428,530)	(299,572)
	(466,847)	(517,354)
Net assets	360,106	372,508
Share of net assets	127,287	127,710

notes to the financial statements

30 June 2011

18. INTANGIBLE ASSETS AND GOODWILL

	2011 \$'000	2010 \$'000
Goodwill		
Balance at 1 July	32,461	32,461
Balance at 30 June	32,461	32,461
Licences and entitlements		
At 1 July, net of accumulated amortisation	2,712	5,764
Acquisition	-	12
Impairment	-	(3,064)
At 30 June, net of accumulated amortisation	2,712	2,712
Total goodwill and intangibles	35,173	35,173

Description of the Group's intangible assets and goodwill

Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Licences and entitlements

Licences and entitlements represent intangible assets acquired through the acquisition of certain hotel assets. Licences and entitlements essentially relate to gaming and liquor licence rights attaching to the hotel assets. These intangible assets have been determined to have indefinite useful lives and the cost model is utilised for their measurement. These licences and entitlements have been granted for an indefinite period by the relevant government department. This supports the Group's assertion that these assets have an indefinite useful life. As these licences and entitlements are an integral part of owning a hotel asset, they are subjected to impairment testing on an annual basis or whenever there is an indication of impairment as part of the annual property valuation and review process of the hotels as a going concern.

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18. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Impairment tests for goodwill and intangibles with indefinite useful lives

(i) Description of the cash generating units and the other relevant information

Goodwill acquired through business combinations and management rights, licences and entitlements have been allocated to two individual cash generating units, each of which is a reportable segment, for impairment testing as follows:

- Funds Management - property / asset management business
- Property - or specifically the hotel assets

Funds Management

The recoverable amount of the Funds Management unit has been determined based on a value in use calculation using cash flow projections as at 30 June 2011 covering a five-year period.

A post tax discount rate of 9.49% (2010: 9.6%) and a terminal growth rate of 3% (2010: 3%) has been applied to the cash flow projections.

Property

The recoverable amount of the indefinite life intangible assets have been determined based on the independent and directors' valuations of the hotels on a going concern basis. Common valuation methodologies including capitalisation and discounted cash flow approaches are used, with assumptions reference to recent market sales evidence. Accordingly, the directors' valuations at 30 June 2011 have regards to market sales evidence in adopting a market valuation for each property including the key assumptions outlined.

(ii) Carrying amounts of goodwill, management rights, licences and entitlements allocated to each of the cash generating units

The carrying amounts of goodwill, management rights, licences and entitlements are allocated to Funds Management and Property as follows:

	FUNDS MANAGEMENT		PROPERTY		TOTAL	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Goodwill	32,394	32,394	67	67	32,461	32,461
Management rights, licences and entitlements	-	-	2,712	2,712	2,712	2,712

(iii) Key assumptions used in valuation calculations

Funds Management Goodwill

The calculation of value in use is most sensitive to the following assumptions:

- Fee income
- Discount rates
- Property values of the funds/properties under management

Fee income – fee income is based on actual income in the year preceding the start of the budget period and actual funds under management.

notes to the financial statements

30 June 2011

18. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(iii) Key assumptions used in valuation calculations (continued)

Discount rates – discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not reflected in the cash flows.

Property values – property values are based on the fair value of properties which are valued annually by independent valuers.

Hotel Intangible Assets

The calculation of the hotel valuations is most sensitive to the following assumptions:

- a. Hotel income
- b. Discount rates and capitalisation rates with reference to market sales evidence
- c. Other value adding or potential attributes of the hotel asset

Hotel income – hotel income is based on actual income in the year preceding the start of the budget period, adjusted based on industry norms for valuation purposes.

Discount rates and capitalisation rates – these rates reflect the independent valuers' and management's estimate of the time value of money and the risks specific to each unit that are not reflected in the cash flows, with reference to recent market sales evidence. The weighted average capitalisation rate used for the two hotel valuations at June 2011 was 11.6% (2010: 11.65%).

Other value adding or potential attributes – unique features of individual hotel assets that will add or have the potential to add value to the property in determining the total fair value of the hotel.

(iv) Sensitivity to changes in assumptions

Significant and prolonged property value falls and market influences which could increase discount rates could cause goodwill to be impaired in the future, however, the goodwill valuation as at 30 June 2011 has significant head room thus changes in the assumptions such as discount rate and revenue assumptions would not cause any significant impairment.

Intangibles have been impaired on the basis that they now represent recoverable amount. A decrease in hotel income or increase in discount rate have already been taken into consideration in the sensitivity of market factors as part of the external valuation.

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19. TRADE AND OTHER PAYABLES

	2011 \$'000	2010 \$'000
(a) Current		
Trade creditors	436	1,612
Other creditors	6,580	3,405
Rental guarantee	900	1,313
Goods and services tax	289	1,181
Accrued expenses	5,243	5,490
	13,448	13,001
(b) Non-current		
Unearned revenue	10,008	-
Rental guarantee	3,567	4,065
	13,575	4,065

20. INTEREST BEARING LOANS AND BORROWINGS

	2011 \$'000	2010 \$'000
(a) Current		
Bank loans - A\$	13,450	232,157
Other loans - A\$	-	9,916
Less: Unamortised borrowing costs	-	(1,508)
	13,450	240,565
(b) Non-current		
Bank loans - A\$	420,270	109,734
Other loans - A\$	18,680	-
Less: Unamortised borrowing costs	(5,835)	(598)
	433,115	109,136
(c) Maturity profile of current and non-current interest bearing loans		
Due within one year	13,450	242,073
Due between one and five years	438,950	105,048
Due after five years	-	4,686
	452,400	351,807

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30 June 2011

20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

The Group maintains a range of interest-bearing loans and borrowings. The sources of funding are spread over a number of counterparties and the terms of the instruments are negotiated to achieve a balance between capital availability and cost of debt.

Bank loans – A\$ are provided by several banks at interest rates that include both fixed and floating arrangements. The loans are denominated in Australian dollars and the term to maturity varies from June 2012 to June 2015. The effective fixed interest rate of borrowings which are covered by fixed rate swaps (including bank margins and fees on both drawn and undrawn amounts) was 7.67% at period end (30 June 2010 8.79%), while interest on floating rate borrowings are paid quarterly based on existing swap and yield rates quoted on the rate reset date.

The bank loans are secured by a charge over the investment properties, certain inventory and certain property, plant and equipment. Approximately 57.6% (30 June 2010: 51.2%) of bank debt drawn was subject to fixed rate arrangements with a weighted average term to maturity of 4.13 years (30 June 2010: 6.00 years). APG's weighted average interest rate as at 30 June 2011 was 7.84% (30 June 2010: 8.00%). Undrawn facilities line fees contributed to 0.50% of the weighted average interest rate at 30 June 2011 (30 June 2010: 0.57%). APG's weighted average interest rate excluding the undrawn facilities line fees as at 30 June 2011 was 7.33% (30 June 2010: 7.43%).

(d) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	2011 \$'000	2010 \$'000
Total facilities - bank loans	607,907	625,892
Facilities used at reporting date - bank loans	(433,720)	(341,891)
Facilities unused at reporting date - bank loans	174,187	284,001

These facilities comprise fixed and floating rate secured facilities.

The Group's debt facilities are secured first mortgage facilities – they are collateralised by the Group's real estate assets. Full utilisation of available facilities would require additional real estate assets to collateralise draw downs. Facility readily available at reporting date based upon (a) existing secured property assets and (b) a targeted Group Gearing ratio (Total Debt – Cash / Total Assets – Cash) of between 30% to 35% is \$64.2 million. Cash on hand at reporting date is \$45.9 million.

In August 2010, the Group re-financed its \$480m CLUB facilities with a new 3 year \$400 million syndicated bank debt facility (which replaced the Group's existing \$400 million core facility maturing in February 2011) and a renewed 3 year \$80 million working capital bank debt facility with ANZ (which also had a February 2011 maturity). The CLUB Facility was a secured, limited recourse debt agreement with ANZ (as lead arranger), CBA and St George Bank. The syndicated facility is also a secured, limited recourse debt agreement with ANZ (as lead syndicator), Westpac, CBA and a foreign bank, Bank of Nova Scotia. Under both agreements, certain properties owned by AT, AIT, AGPL and AGHL form a common security pool, which is collateral for this loan facility. The refinanced facility matures in August 2013.

Please also refer to Note 25 Capital Management for more information on key banking covenants of the refinanced and renewed facilities.

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20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(e) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	NOTES	2011 \$'000	2010 \$'000
Current			
First mortgage			
Freehold land and buildings	14	-	20,901
Inventory	15	-	60,069
Investment properties held for sale	16	91,131	91,327
Total current assets pledged as security		91,131	172,297
Non-current			
First mortgage			
Freehold land and buildings	14	19,325	-
Inventory	15	80,378	19,883
Investment properties	16	753,127	617,735
Total non-current assets pledged as security		852,830	637,618
Total assets pledged as security		943,961	809,915

(f) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

21. DERIVATIVES

	2011 \$'000	2010 \$'000
Interest rate swaps	17,360	26,320
Financial instruments (ADIFII guarantee)*	10,000	4,000
	27,360	30,320

*refer to Note 25 for details of the guarantees provided to ADIFII

notes to the financial statements

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22. PARENT ENTITY FINANCIAL INFORMATION

	2011 \$'000	2010 \$'000
Results of the parent entity		
Profit / (loss) for the year	(1,163)	12,602
Other comprehensive income	-	-
Total comprehensive income for the year	(1,163)	12,602
Financial position of the parent entity at year end		
Current assets	14,381	14,717
Total assets	176,138	237,689
Current liabilities	2,519	2,692
Total liabilities	88,970	151,094
Net assets	87,168	86,595
Total equity of the parent entity comprising of:		
Issued capital	54,745	53,009
Retained earnings	26,975	28,138
Employee options reserve	5,448	5,448
Total equity	87,168	86,595

Parent entity contingencies

The parent entity has entered into the following agreements as at 30 June 2011 (2010: Nil):

- Provide a corporate guarantee to the Bank to increase the amount of drawn funds available and to guarantee the payment of interest on a tranche. The maximum liability is approximately \$4 million. No property security has been provided by the parent; and
- To the extent necessary, provide financial support to enable Abacus Finance Pty Ltd and ADIFIL to pay their debts as and when they fall due.

Parent entity capital commitments

There are no capital commitments with the parent entity as at 30 June 2011 (2010: Nil).

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23. FINANCIAL INSTRUMENTS

(i) Credit Risk

Credit Risk Exposures

The Group's maximum exposure to credit risk at the reporting date was:

	CARRYING AMOUNT	
	2011 \$'000	2010 \$'000
Receivables	18,758	8,842
Secured property loans	189,690	225,775
Interim funding to related funds	139,601	186,435
Loans to related funds	11,869	-
Other financial assets	68,000	35,392
Cash and cash equivalents	45,504	21,792
	473,422	478,236

As at 30 June 2011, the Group had the following concentrations of credit risk:

- Secured property loans: a loan which represents 37% of the portfolio covers three large projects at Riverlands, Camelia and Lewisham;
- Interim Funding to Related Funds: represented by the Abacus Diversified Income Fund II (working capital facility) \$47.4 million, and the Abacus Hospitality Fund \$66.2 million (2010: Abacus Diversified Income Fund II \$96.9 million, Abacus Hospitality Fund \$66.6 million); and
- Other financial assets (fair value) is represented by 2 issuers (2010: 2 issuers), including the ADIFII second secured facility of \$48 million.

notes to the financial statements

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23. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Credit Risk (continued)

Secured property loans and interim funding

The following table illustrates grouping of the Group's investment in secured loans and interim funding. As noted in disclosure note 3, the Group mitigates the exposure to this risk by evaluation of the credit submission before acceptance, ensuring security is obtained and consistent and timely monitoring of the financial instrument to identify any potential adverse changes in the credit quality:

	TOTAL	ORIGINAL TERM ⁽¹⁾	EXTENDED TERM	PAST DUE TERM ⁽²⁾	IMPAIRED ⁽³⁾
30 JUNE 2011	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and interim funding	346,160	318,536	14,119	13,505	-
less: provisioning	(5,000)	(5,000)	-	-	-
Total	341,160	313,536	14,119	13,505	-

	TOTAL	ORIGINAL TERM	EXTENDED TERM	PAST DUE TERM ⁽¹⁾	IMPAIRED
30 JUNE 2010	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and interim funding	414,410	398,398	2,718	10,141	3,153
less: provisioning	(2,200)	(1,000)	-	-	(1,200)
Total	412,210	397,398	2,718	10,141	1,953

1) Terms are extended typically in recognition of traditional project delays (e.g. weather, development approvals).

2) For loans with past due terms all are less than two years old and are expected to be recovered.

3) In considering the impairment of loans, the Group will undertake a market analysis of the secured property development which is used to service the loan and identify if a deficiency of security exists and the extent of that deficiency, if any. If there is an indicator of impairment, fair value calculations of expected future cashflows are determined and if there are any differences to the carrying value of the loan, an impairment is recognised.

Other financial assets of \$68 million include a loan derivative of \$48 million and an option of \$20 million which are on original terms.

The movement in the allowance for impairment in respect of secured property loans and receivables during the year was as follows:

	2011 \$'000	2010 \$'000
Balance at 1 July 2010	2,200	24,016
Impairment loss recognised (interim funding)	-	1,000
Impairment loss recognised (AHF / ADIFII)	5,000	4,900
Impairment loss utilised	(2,200)	(27,716)
Balance at 30 June 2011	5,000	2,200

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23. FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Liquidity Risk

The table below shows an analysis of the contractual maturities of key liabilities which forms part of the Group's assessment of liquidity risk.

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	1 YEAR OR LESS	OVER 1 YEAR TO 5 YEARS	OVER 5 YEARS
30 JUNE 2011	\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities					
Trade and other payables	27,023	27,023	13,448	13,575	-
Interest bearing loans and borrowings incl derivatives#	473,925	552,655	49,717	494,261	8,677
Total liabilities	500,948	579,678	63,165	507,836	8,677
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	1 YEAR OR LESS	OVER 1 YEAR TO 5 YEARS	OVER 5 YEARS
30 JUNE 2010	\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities					
Trade and other payables	17,066	17,066	13,001	4,065	-
Interest bearing loans and borrowings incl derivatives	383,567	427,734	262,258	140,400	25,076
Total liabilities	400,633	444,800	275,259	144,465	25,076

Includes derivative of a principal value of \$17.4 million.

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23. FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Currency Risk

There is no significant currency risk related to investments in \$NZD. The following table shows the currency risk associated to the Group's investment in options denominated in £GBP.

	AUD		GBP	
	2011 \$'000	2010 \$'000	2011 £'000	2010 £'000
Assets				
Other financial assets	-	15,391	-	8,721
Investment in securities	3,889	10,491	2,593	5,944
Total assets	3,889	25,882	2,593	14,665

The following sensitivity is based on the foreign risk exposures in existence at the balance sheet date.

At 30 June 2011, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
AUD/GBP + 10%	(354)	(2,353)	-	-
AUD/GBP - 10%	432	2,876	-	-

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23. FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rates for each class of financial asset and financial liability are:

	FLOATING INTEREST RATE	FIXED INTEREST MATURING IN 1 YEAR OR LESS	FIXED INTEREST MATURING IN 1 TO 5 YEARS	FIXED INTEREST MATURING IN OVER 5 YEARS	NON INTEREST BEARING	TOTAL
30 JUNE 2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Cash and cash equivalents	45,504	-	-	-	-	45,504
Receivables	-	-	-	-	18,758	18,758
Secured and related party loans	7,094	33,243	152,100	153,416	308	346,161
Total financial assets	52,598	33,243	152,100	153,416	19,066	410,423
weighted average interest rate*	4.61%	10.87%	11.66%	7.99%		
Financial liabilities						
Interest bearing liabilities - bank	177,985	10,000	239,900	-	-	427,885
Interest bearing liabilities - other	-	-	18,680	-	-	18,680
Derivatives	-	-	-	-	27,360	27,360
Payables	-	-	-	-	27,023	27,023
Total financial liabilities	177,985	10,000	258,580	-	54,383	500,948
Weighted average interest rate*	8.32%	9.71%	7.44%			

*Rate calculated at 30 June

notes to the financial statements

30 June 2011

23. FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Interest rate risk (continued)

30 JUNE 2010	FLOATING INTEREST RATE \$'000	FIXED INTEREST MATURING IN 1 YEAR OR LESS \$'000	FIXED INTEREST MATURING IN 1 TO 5 YEARS \$'000	FIXED INTEREST MATURING IN OVER 5 YEARS \$'000	NON INTEREST BEARING \$'000	TOTAL \$'000
Financial Assets						
Cash and cash equivalents	21,792	-	-	-	-	21,792
Receivables	-	-	-	-	8,842	8,842
Secured and related party loans	-	38,858	108,273	264,127	3,153	414,411
Total financial assets	21,792	38,858	108,273	264,127	11,995	445,045
weighted average interest rate*	4.35%	12.98%	12.65%	8.36%		
Financial liabilities						
Interest bearing liabilities - bank	166,991	174,900	-	-	-	341,891
Interest bearing liabilities - other	9,916	-	-	-	-	9,916
Related party loans	-	-	-	-	1,440	1,440
Derivatives	-	-	-	-	30,320	30,320
Payables	-	-	-	-	17,066	17,066
Total financial liabilities	176,907	174,900	-	-	48,826	400,633
Weighted average interest rate*	7.25%	8.79%				

* Rate calculated at 30 June

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23. FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Interest rate risk (continued)

Summarised interest rate sensitivity analysis

The table below illustrates the potential impact a change in interest rate by +/- 1% would have had on the Group's profit and equity on a pre-tax basis:

	CARRYING AMOUNT FLOATING \$'000	PROFIT \$'000	AUD		EQUITY \$'000
			-1%	+1%	
			PROFIT	PROFIT	EQUITY
30 JUNE 2011	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets	52,598	(526)	-	526	-
Financial liabilities	205,345	(9,886)	-	6,744	-

	CARRYING AMOUNT FLOATING \$'000	PROFIT \$'000	AUD		EQUITY \$'000
			-1%	+1%	
			PROFIT	PROFIT	EQUITY
30 JUNE 2010	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets	21,792	(218)	-	218	-
Financial liabilities	203,227	(12,972)	-	10,385	-

The analysis for the interest rate sensitivity of financial liabilities includes derivatives.

(v) Price Risk

The Group is exposed to equity securities risk. Equity securities price risk arises from investments in listed and unlisted securities. The key risk variable is the quoted price of the securities, which is influenced by a range of factors, most of which are outside the control of the Group. As a result, the Group does not use financial instruments to manage the price risk exposure on property securities but instead regularly monitors levels of exposure and conducts sensitivity analysis for fluctuations in the quoted securities prices.

A fluctuation of 15% in the price of the equity securities would impact the net profit after income tax expense of the Group, with all other variables held constant, by an increase/(decrease) of \$1.04 million (2010: \$1.82 million).

(vi) Fair values

The fair value of the Group's financial assets and liabilities are approximately equal to that of their carrying values.

In accordance with AASB 7 Financial Instruments: Disclosures the Group's financial instruments are classified into the following fair value measurement hierarchy:

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

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23. FINANCIAL INSTRUMENTS (CONTINUED)

(vi) Fair values (continued)

The following table presents the Group's assets and liabilities measured and recognised as at fair value at 30 June 2011.

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	2011	2011	2011	2011
30 JUNE 2011	\$'000	\$'000	\$'000	\$'000
Current				
Investment in securities - listed	959	-	-	959
Total current	959	-	-	959
Non-current				
Investment in securities - unlisted	-	-	4,976	4,976
Investment in options	-	-	20,000	20,000
Derivative loan	-	-	48,000	48,000
Derivative liabilities	-	(17,360)	(10,000)	(27,360)
Total non-current	-	(17,360)	62,976	45,616
30 JUNE 2010				
Current				
Investment in securities - listed	2,189	-	-	2,189
Total current	2,189	-	-	2,189
Non-current				
Investment in securities - unlisted	-	-	11,666	11,666
Investment in options	-	-	35,392	35,392
Derivative liabilities	-	(26,320)	(4,000)	(30,320)
Total non-current	-	(26,320)	43,058	16,738

There were no transfers between Levels 1, 2 and 3 during the year.

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23. FINANCIAL INSTRUMENTS (CONTINUED)

(vi) Fair values (continued)

The following table is a reconciliation of the movements in unlisted securities, options and derivatives classified as level 3 for the year ended 30 June 2011.

	UNLISTED SECURITIES \$'000	OPTIONS \$'000	LOAN DERIVATIVE \$'000	ADIFI DERIVATIVE \$'000	TOTAL \$'000
opening balance as at 30 June 2010	11,666	35,391	-	(4,000)	43,057
fair value movement through the income statement	(6,453)	(9,391)	-	(6,000)	(21,844)
purchases / additions	93	-	48,000	-	48,093
redemptions / conversions	(330)	(6,000)	-	-	(6,330)
closing balance as at 30 June 2011	4,976	20,000	48,000	(10,000)	62,976

	UNLISTED SECURITIES \$'000	OPTIONS \$'000		ADIFI DERIVATIVE \$'000	TOTAL \$'000
opening balance as at 30 June 2009	15,813	18,391		(3,000)	31,204
fair value movement through the income statement	(4,083)	(3,000)		(1,000)	(8,083)
purchases	11	20,000		-	20,011
redemptions	(75)	-		-	(75)
closing balance as at 30 June 2010	11,666	35,391		(4,000)	43,057

Determination of fair value

The fair value of listed securities is determined by reference to the quoted bid price of the entity at balance date. The fair value of unlisted securities is determined by reference to the net assets of the underlying entities.

The fair value of derivative financial instruments is determined in accordance with generally accepted pricing models by discounting the expected future cash flows at prevailing market interest rates. In determining the fair value of the ADIFI derivative and loan derivative the growth in net operating income, property valuations and the expected rate of conversion from "A Class" to "B Class" units has also been taken into account.

The fair value of interest rate swaps is determined using a generally accepted pricing model on a discounted cash flow analysis using assumptions supported by observable market rates.

The fair value of the options is determined using generally accepted pricing models including Black-Scholes and adjusted for specific features of the options including share price, underlying net assets and property valuations and prevailing exchange rates.

Sensitivity of Level 3

The potential effect of using reasonable possible alternative assumptions based on a change in the property valuations by 5% and a change in the unit price of securities of 10% would have the effect of reducing the fair value by up to \$10.5 million (2010: \$1.3 million) or increase the fair value by \$6.8 million (2010: \$2.7 million).

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24. CONTRIBUTED EQUITY

	2011 \$'000	2010 \$'000
(a) Issued stapled securities		
Stapled securities	1,143,253	1,110,517
Total contributed equity	1,143,253	1,110,517
(b) Movement in stapled securities on issue		
	STAPLED SECURITIES	
	NUMBER '000	VALUE \$'000
At 1 July 2010	1,813,552	1,110,517
- distribution reinvestment plan	46,524	32,778
- security consolidation	(1,481,592)	-
- less transaction costs	-	(42)
Securities on issue at 30 June 2011	378,484	1,143,253

On 29 November 2010 APG completed a consolidation of the Group's securities and as a result, the number of securities on issue has reduced by an approximate ratio of 5 : 1.

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25. CAPITAL MANAGEMENT

The Group seeks to manage its capital requirements through a mix of debt and equity funding. It also ensures that Group entities comply with capital and distribution requirements of their constitutions and/or trust deeds, the capital requirements of relevant regulatory authorities and continue to operate as going concerns. The Group also protects its equity in assets by taking out insurance.

The Group assesses the adequacy of its capital requirements, cost of capital and gearing (i.e. debt/equity mix) as part of its broader strategic plan. In addition to tracking actual against budgeted performance, the Group reviews its capital structure to ensure sufficient funds and financing facilities, on a cost effective basis are available to implement the Group's strategy that adequate financing facilities are maintained and distributions to members are made within the stated distribution guidance (i.e. paid out of normalised profits).

The Group actively manages its capital via the following strategies: issuing new stapled securities, activating its distribution reinvestment plan (presently active at 2.5% discount to VWAP but not underwritten), electing to have the dividend reinvestment plan underwritten, adjusting the amount of distributions paid to members, activating a security buyback program, divesting assets, active management of the Group's fixed rate swaps, directly purchasing assets in managed funds or (where practical) recalibrating the timing of transactions and capital expenditure so as to avoid a concentration of net cash outflows.

On 26 August 2010 the Group re-financed its \$480m CLUB facilities with a new 3 year \$400 million syndicated bank debt facility (which replaced Abacus' existing \$400 million core facility maturing in February 2011) and a renewed 3 year \$80 million working capital bank debt facility with ANZ (which also had a February 2011 maturity).

A summary of the Group's key banking covenants both at year end and post year end are set out below:

COVENANT / RATIO	COVENANT REQUIREMENT	KEY DETAILS
Nature of facilities	Secured, non recourse ¹	The Group has no unsecured facilities
ICR	> 1.5	Net rental income / Interest expense (including fixed rate swaps)
Group ICR	> 2.0 ^{2,3}	Group EBITDA (ex fair value P&L and impairment to goodwill & intangibles) / Total Interest Expense (including fixed rate swaps)
Total Gearing	< 50% ^{2,3}	Total Liabilities (net of cash) / Total Tangible Assets (net of cash)
LVR	< 50% to 65% ⁴	Drawn Loan / Bank accepted valuations
Gearing ratio on a look through basis	< 60% ³	ABP gearing plus gearing from proportional consolidation of equity accounted investments

(1) There are no market cap covenants.

(2) Condition of the current \$400m Syndicated facility, \$80m Working Capital facility and the \$70m Bilateral facility. The requirement for the Bilateral facility is 45%.

(3) Condition of the \$80m Working Capital Facility.

(4) The 65.0% LVR for the Working Capital Facility will step down to 62.5% from 1 July 2011 and 60.0% from 1 July 2012.

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26. RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial statements include the financial statements of the following entities:

ENTITY	EQUITY INTEREST		CARRYING VALUE	
	2011 %	2010 %	2011 \$'000	2010 \$'000
Abacus Group Holdings Limited and its subsidiaries				
Abacus (343 Geore St Sydney) Pty Ltd	100	100	-	-
Abacus (343 George St) Trust	100	100	30,000	30,000
Abacus 343 George St Trust	100	100	30,000	30,000
Abacus AAVT Pty Ltd	100	100	-	-
Abacus Airways NZ Trust	100	100	-	4,750
Abacus CIH Pty Ltd	100	100	-	-
Abacus Dry Dock Lodge	-	100	-	-
Abacus Finance Pty Limited	100	100	-	-
Abacus Forrest Lodge Trust	100	100	-	-
Abacus Funds Management Limited	100	100	8,448	8,448
Abacus Griffith Avenue Trust	100	-	10	-
Abacus HP Operating Co Pty Ltd	100	100	-	-
Abacus HP Trust	100	100	-	-
Abacus Investment Pty Ltd	100	-	-	-
Abacus Jigsaw Investments Pty Ltd	100	100	90	90
Abacus London Trust	-	100	-	-
Abacus Mariners Lodge Trust	100	100	-	-
Abacus Mortgage Fund	100	100	17,500	17,500
Abacus Mount Druitt Trust	100	100	908	908
Abacus Musswellbrook Pty Ltd	100	100	-	-
Abacus Nominee Services Pty Limited	100	100	-	-
Abacus Nominees (No 5) Pty Limited	100	100	-	-
Abacus Nominees (No 7) Pty Limited	100	100	-	-
Abacus Nominees (No 9) Pty Limited	100	100	-	-
Abacus Note Facilities Pty Ltd	100	100	-	-
Abacus Pitt Street Property Trust	100	100	4,985	21,321
Abacus Property Income Fund	100	100	-	37,725
Abacus Property Services Pty Ltd	100	100	10	10
Abacus SP Note Facility Pty Ltd	100	100	-	-
Abacus Storage Funds Management Limited	100	100	929	929
Abacus Unitel Pty Ltd	100	100	-	-
Abacus Unitel Trust	100	100	8,236	11,867
Amiga Pty Limited	100	100	-	-
Bay Street Brighton Unit Trust	100	100	5,767	5,767
Birkenhead Point Marina Pty Ltd	50	-	-	-
Childcare Trust 2	100	100	-	-
Clarendon Property Investments Pty Ltd	100	100	-	-
Corporate Helpers Pty Ltd	100	100	-	-
Main Street Pakenham Unit Trust	100	100	-	-

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26. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Subsidiaries (continued)

ENTITY	EQUITY INTEREST		CARRYING VALUE	
	2011 %	2010 %	2011 \$'000	2010 \$'000
Abacus Group Projects Limited and its subsidiaries				
Abacus Property Pty Ltd	100	100	-	-
Abacus Allara Street Trust	50	50	500	500
Abacus Jigsaw Holdings Pty Limited	50	50	-	-
Abacus Repository Trust	50	50	-	-
Abacus Ventures Trust	51	51	2,414	2,414
Abacus Trust and its subsidiaries				
Abacus 1769 Hume Highway Trust	100	100	14,804	13,803
Abacus Alderley Trust	100	100	17,574	17,731
Abacus Alexandria Trust	100	100	466	462
Abacus Ashfield Mall Property Trust	100	100	50,172	50,464
Abacus Birkenhead Point Trust	100	-	70,000	-
Abacus Campbell Property Trust	100	100	17,711	17,799
Abacus Epping Park Property Trust	100	100	23,518	22,401
Abacus Greenacre Trust	100	100	11,089	12,683
Abacus Heitman Investment Trust	100	-	4,956	-
Abacus Hurstville Trust	100	100	13,256	12,493
Abacus Industrial Property Trust	100	100	8,290	10,024
Abacus Lisarow Trust	100	100	8,203	8,204
Abacus Liverpool Plaza Trust	100	100	30,742	33,116
Abacus Macquarie Street Trust	100	100	2,870	2,946
Abacus Moorabbin Trust	100	100	27,364	31,176
Abacus Moore Street Trust	100	100	1,469	1,469
Abacus Northshore Trust 1	25	-	-	-
Abacus Northshore Trust 2	25	-	-	-
Abacus North Sydney Car park Trust	100	100	2,822	2,229
Abacus Premier Parking Trust	100	100	2,449	3,785
Abacus Sanctuary Holdings Pty Limited	25	-	-	-
Abacus Shopping Centre Trust	100	100	-	-
Abacus Smeaton Grange Trust	100	100	5,134	5,916
Abacus SP Fund	100	100	28,192	28,192
Abacus Varsity Lakes Trust	100	100	14,408	14,107
Abacus Virginia Trust	100	100	58,365	58,365
Abacus Westpac House Trust	100	100	56,924	52,327
Abacus 14 Martin Place Trust	100	-	50,000	-
Abacus 171 Clarence Street Trust	100	-	31,475	-

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26. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Subsidiaries (continued)

ENTITY	EQUITY INTEREST		CARRYING VALUE	
	2011 %	2010 %	2011 \$'000	2010 \$'000
Abacus Income Trust and its subsidiaries				
Abacus Campbellfield Trust	100	100	7,616	7,616
Abacus Chermside Trust	100	100	-	-
Abacus Eagle Farm Trust	100	100	5,082	5,082
Abacus Independent Retail Property Trust	75	75	24,747	24,747
Abacus Lennons Plaza Trust	100	100	32,679	32,679
Abacus Mertz Apartments	100	100	5,476	5,746
Abacus Retail Property Trust	100	100	-	-
Abacus Stafford Trust	100	100	5,097	5,097
Abacus Tamworth Retail Trust	100	100	10,190	10,190
Abacus Wollongong Property Trust	100	100	5,348	5,348

(b) Ultimate parent

AGHL has been designated as the parent entity of the Group.

(c) Key Management Personnel

Details of key management personnel are disclosed in Note 27(b).

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26. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Transactions with related parties

	2011 \$'000	2010 \$'000
Transactions with related parties other than associates and joint ventures		
Revenues		
Asset management fees received / receivable	1,519	2,954
Property management fees received / receivable	672	890
Interest revenue from related funds	10,343	11,192
Transactions with associates and joint ventures		
Revenues		
Management fees received / receivable from joint ventures	480	240
Management fees received / receivable from associates	2,540	2,176
Distributions received / receivable from joint ventures	2,607	4,186
Interest revenue from associates	6,244	6,583
Interest revenue from joint ventures	2,965	2,311
Other transactions		
Loan advanced to associates	(12,452)	(7,653)
Loan repayments from associates	5,004	2,534
Loan repayments to associates	-	(369)
Loan advanced to joint ventures	(1,471)	(5,757)
Loan repayments from joint ventures	2,889	6,704
Loan advanced from joint ventures	-	1,299
Loan repayments to joint ventures	(1,299)	-

Terms and conditions of transactions

Sales and fees to and purchases and fees charged from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured and settlement occurs in cash.

No provision for doubtful debts has been recognised or bad debts incurred with respect to amounts payable or receivable from related parties during the year. An impairment of \$5.0 million was recognised by the Group as part of the restructuring of AHF.

notes to the financial statements

30 June 2011

26. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Transactions with related parties (continued)

Entity with significant influence

Calculator Australia Pty Ltd ("Kirsh") is a significant securityholder in the Group with a holding of approximately 37% of the ordinary shares of the Group (2010: 33%).

In November 2010 the Group and Kirsh purchased Birkenhead Shopping Centre as tenants in common in equal shares for a total consideration of \$174 million with \$45 million of the purchase price made available by the vendor as interest-free vendor finance for a period of 3 years.

In November 2010 the Group and Kirsh entered into a joint venture, Birkenhead Point Marina Pty Ltd, which has leased the Marina located at Birkenhead Point from the Birkenhead Point Shopping Centre.

In June 2011 the Group and a Kirsh subsidiary purchased 14 Martin Place, Sydney as tenants in common in equal shares for a total consideration of \$95 million.

During the year, Abacus Property Services Pty Ltd was engaged to manage the following properties:

Property	Relationship with Kirsh	Charge per annum	Amt \$
Birkenhead Point Shopping Centre	Tenants in common	3% of gross rental	286,744
4 Martin Place	100% owned by Kirsh	3% of gross rental	18,421
Birkenhead Point Marina Pty Ltd	Joint Venture	3% of gross rental	38,208

During the year, Abacus Property Services Pty Ltd was engaged to manage the following properties:

Property	Relationship with Kirsh	Charge per annum	Amt \$
Birkenhead Point Shopping Centre	Tenants in common	0.2% of gross assets	247,389

On 12 April 2011, Mrs Myra Salkinder was appointed to the Group as a non-executive director. Mrs Salkinder is a senior executive of Kirsh.

abacus property group

27. KEY MANAGEMENT PERSONNEL

(a) Compensation for Key Management Personnel

	2011 \$	2010 \$
Short-term employee benefits	5,329,634	6,217,280
Post-employment benefits	537,515	326,187
Other long-term benefits	95,369	44,508
Security-based payments	53,524	-
	6,016,042	6,587,975

(b) Security holdings of Key Management Personnel

Securities held in Abacus Property Group (number)

30 JUNE 11	BALANCE 1 JULY 10	CONSOLIDATION	RETIRED	PURCHASES /(SALES)	BALANCE 30 JUNE 11
Directors					
J Thame	276,820	(221,456)	-	-	55,364
F Wolf	14,187,322	(11,349,858)	-	-	2,837,464
W Bartlett	114,032	(91,226)	-	-	22,806
D Bastian	5,500,000	(4,400,000)	-	(200,000)	900,000
D Bluth	342,302	(273,842)	(71,266)	2,806	-
M Irving	123,550	(98,840)	-	2,008	26,718
Executives					
R de Aboitiz	435,933	(348,746)	-	(83,248)	3,939
L Lloyd	55,925	(44,740)	-	-	11,185
P Strain	150,701	(120,561)	-	2,450	32,590
E Varejes	309,875	(247,900)	-	-	61,975
Total	21,496,460	(17,197,169)	(71,266)	(275,984)	3,952,041

notes to the financial statements

30 June 2011

27. KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Security holdings of Key Management Personnel (continued)

Securities held in Abacus Property Group (number) (continued)

30 JUNE 10	BALANCE 1 JULY 09	PURCHASES /(SALES)	BALANCE 30 JUNE 10
Directors			
J Thame	200,756	76,064	276,820
F Wolf	14,073,226	114,096	14,187,322
W Bartlett	16,000	98,032	114,032
D Bastian	5,000,000	500,000	5,500,000
D Bluth	286,953	55,349	342,302
M Irving	80,651	42,899	123,550
L Lloyd	55,925	-	55,925
Executives			
R de Aboitiz	383,237	52,696	435,933
T Hardwick	100,000	(100,000)	-
P Strain	100,000	50,701	150,701
E Varejes	309,875	-	309,875
Total	20,606,623	889,837	21,496,460

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(c) Loans to Key Management Personnel

There were no loans to individuals that exceeded \$100,000 at any time in 2011 or in the prior year.

(d) Other transactions and balances with Key Management Personnel and their related parties

During the financial year, transactions occur between the Group and Key Management Personnel which are within normal employee, customer or supplier relationship on terms and conditions no more favourable to than those with which it is reasonable to expect the entity would have adopted if dealing with Key Management Personnel or director-related entity at arm's length in similar circumstances including, for example, performance of contracts of employment, the reimbursement of expenses and the payment of distributions on their stapled securities in the Group and on their investment in various Trusts managed by Abacus Funds Management Limited as Responsible Entity.

abacus property group

28. SECURITY BASED PAYMENT PLANS

(a) Recognised security payment expenses

The expense recognised for employee services received during the year is as follows:

	2011 \$'000	2010 \$'000
Expense arising from equity-settled payment transactions	83	-

The security-based payment are described below.

(b) Type of security-based payment plan

Security Appreciation Rights (SARs)

On 21 March 2011 executives in the Group were granted the first issue of SARs, which can be settled only in cash. These will vest at the end of the three-year period provided the executive remains employed by the Group (or otherwise at the Board's discretion). The gain is calculated as the difference between the exercise price, being the security price at the beginning of the financial year in which the SARs are granted, and the Group's security price at maturity. The SARs are assumed to be exercised on maturity if it is in the money, and the net gain is settled in cash.

(c) Summary of SARs granted

The following table illustrates movements in SARs:

	2011 No.	2010 No.
Granted during the year	2,976,923	-
Outstanding at the end of the year	2,976,923	-
Exercisable at the end of the year	-	-

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the SARs outstanding as at 30 June 2011 is 2 years.

(e) Range of exercise price

The exercise price for the SARs at the end of the year was \$2.05.

(f) Weighted average fair value

The weighted average fair value of SARs granted during the year was \$0.2225.

notes to the financial statements

30 June 2011

28. SECURITY BASED PAYMENT PLANS (CONTINUED)

(g) Option pricing model

The fair value of the SARs at the reporting date has been determined using a Monte Carlo Simulation based model which takes into account the terms and conditions upon which the instruments were granted and tests the likelihood of the SARs achieving the performance hurdle and the payoff at the valuation dates.

The following table lists the inputs to the model used for the year ended 30 June 2011:

	2011
Dividend yield (%)	7.5
Expected volatility (%)	30
Risk-free interest rate (%)	4.71
Expected life of option (years)	2
Option exercise price (\$)	2.05
Spot price at measurement date (\$) – 5 day VWAP	2.26

(h) Recognised cash-settled security based payment liability

The carrying amount of the liability relating to the cash settled security based payment at 30 June 2011 is \$82,856. No cash-settled awards vested during the year ended 30 June 2011.

abacus property group

29. COMMITMENTS AND CONTINGENCIES

The Group has provided the following guarantees to the Abacus Diversified Income Fund II ("ADIFII" or the "Fund"):

UNIT TYPE	CASH DISTRIBUTION YIELD GUARANTEE	CAPITAL RETURN GUARANTEE
Existing Units \$1.00 (Class A)	8.5% pa until 30 June 2011 and based on the actual distributable cash of the Fund thereafter.	\$1.00 per unit at 30 September 2013 if the net assets per Unit are less than \$1.00 at 30 June 2013.
Converted Units \$1.00 (Class B)	9% pa until 30 June 2011 and 9.0% pa plus indexation thereafter (indexed in line with inflation in each year after 1 July 2011).	\$1.00 per Unit at Fund termination (effective on 30 June 2016).
New Units \$0.75 (Class C)	9% until 30 June 2011 and 9% pa plus indexation thereafter (indexed in line with inflation in each year after 1 July 2011).	\$0.75 per Unit at Fund termination (effective on 30 June 2016).

The Underwritten Distributions will be achieved by deferring the interest on the Working Capital Facility or by deferring any of the fees payable to the Group under the constitution of ADIFII (or a combination of these things) or in any other way the Group considers appropriate. Any interest or fee deferral or other funding support may be recovered if the actual cash distribution exceeds the cash required to meet the underwritten distribution at the expiration of the Fund term or on a winding up of the Fund.

The Underwritten Capital Return will apply to all ADIFII units on issue as at 1 July 2013 (Class A) or on or after 1 July 2016 (Class B and C). At the time the Group will make an offer to acquire each Class A unit for \$1.00, or ensure that each holder of Class B units receives back their \$1.00 initial capital and each holder of Class C units receives back their \$0.75 initial capital. The Underwritten Capital returns can be satisfied at the Group's discretion (Class A) through either a payment in cash or by the Group issuing stapled securities in APG to an equivalent value based on the 10 day volume weighted average price of APG's stapled securities over the period ending on 30 June 2013 or prior to issuing stapled securities as applicable.

After 30 June 2016 the Group will, if required, set off all or part of the principal of the second secured Working Capital Facility loan provided to ADIFII in satisfaction of the Group's obligations in respect of the Underwritten Capital Return in respect of the Class B and Class C units.

The fair value of these guarantees at 30 June 2011 has been determined. A liability of \$10 million as at 30 June 2011 (30 June 2010: \$4 million) has been recognised and is included in the non-current derivatives at fair value. The second secured loan through which the B and C class capital yield guarantees operate, is designated as fair value through profit and loss and is carried at its fair value of \$48 million included in note 13(c).

notes to the financial statements

30 June 2011

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

APG has a series of Funds for which it acts as responsible entity and Manager. Typically, APG provides working capital loans to these Funds to finance seed capital and seeks to make them self-funding through a combination of bank debt and equity. From time to time, APG provides additional funding to these Funds, via these working capital loans, which are used by the Funds for working capital purposes or asset purchases. Certain of these funds are presently in the process of refinancing current banking facilities and there may be consequential working capital loans provided to the Funds for which APG would obtain security.

Certain of the working capital loans have a right of redraw for amounts previously repaid, which at 30 June 2011, totalled \$10.7 million (2010: \$24.1 million).

Operating lease commitments – Group as lessee

The Group has entered into a commercial lease on its offices. The lease has a term of three years with an option to renew for another three years.

Future minimum rentals payable under non-cancelable operating lease as at 30 June are as follows:

	2011 \$'000	2010 \$'000
Within one year	747	744
After one year but not more than five years	-	747
More than five years	-	-
	747	1,491

Operating lease commitments – Group as lessor

Future minimum rentals receivable under non-cancelable operating leases as at 30 June are as follows:

	2011 \$'000	2010 \$'000
Within one year	82,413	54,282
After one year but not more than five years	159,164	99,945
More than five years	112,062	118,317
	353,639	272,544

These amounts do not include percentage rentals which may become receivable under certain leases on the basis of retail sales in excess of stipulated minimums and, in addition, do not include recovery of outgoings.

abacus property group

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Capital and Other commitments

At 30 June 2011 the Group had numerous commitments and contingent liabilities which principally related to property acquisition settlements, loan facility guarantees for the Group's interest in the jointly controlled projects and funds management vehicles, commitments relating to property refurbishing costs and unused mortgage loan facilities to third parties.

Commitments contracted for and other contingent liabilities at reporting date but not recognised as liabilities are as follows:

	2011 \$'000	2010 \$'000
Within one year		
- gross settlement of property acquisitions	24,005	42,000
- property refurbishment costs	15,023	2,050
- unused portion of loan facilities to outside parties	4,127	2,523
	43,155	46,573

In accordance with Group policy, the fair value of all guarantees are estimated each period and form part of the Group's reported AIFRS results. There has been no other material change to any contingent liabilities or contingent assets.

Within one year		
- corporate guarantee	4,000	-
	4,000	-

notes to the financial statements

30 June 2011

30. AUDITOR'S REMUNERATION

	2011 \$	2010 \$
Amounts received or due and receivable by Ernst & Young Australia for:		
- an audit of the financial report of the entity and any other entity in the consolidated entity	650,000	550,000
- other assurance and compliance services	35,500	37,000
	685,000	587,000

31. EVENTS AFTER THE BALANCE SHEET DATE

On 13 July 2011 the Group exchanged contracts to purchase 309 George Street Sydney, a 15 level retail and commercial building. The total purchase consideration is \$68.75 million excluding transaction costs. Settlement is scheduled to occur in October 2011 and the Group expects that it will partner with third party capital in this purchase.

Other than as disclosed in this report and to the knowledge of directors, there has been no other matter or circumstance that has arisen since the end of the financial year that has or may affect the Group's operations in future financial years, the results of those operations or the Group's state of affairs in future financial years.

abacus property group

DIRECTORS' DECLARATION

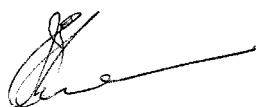
In accordance with a resolution of the Directors of Abacus Group Holdings Limited, we state that:

In the opinion of the directors:

- (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

On behalf of the Board



John Thame
Chairman

Sydney, 25 August 2011



Frank Wolf
Managing Director

Independent auditor's report to the members of Abacus Group Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Abacus Group Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which follows the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Opinion

In our opinion:

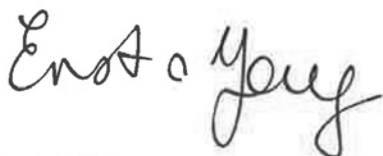
- a. the financial report of Abacus Group Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Report on the remuneration report

We have audited the Remuneration Report included in pages 8 to 20 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Abacus Group Holdings Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



K. Zdrilic
Partner
Sydney
25 August 2011

corporate governance report

CORPORATE GOVERNANCE REPORT

This report sets out the Group's position relating to each of the ASX Corporate Governance Council Principles of Good Corporate Governance during the year. Additional information, including charters and policies, is available through a dedicated corporate governance information section on the Abacus website at www.abacusproperty.com.au under 'About Abacus'.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1

The Board has adopted a charter that sets out the functions and responsibilities reserved by the Board, those delegated to the Managing Director and those specific to the Chairman. The conduct of the Board is also governed by the Constitution.

The roles of Chairman and Managing Director are not exercised by the same individual.

The primary responsibilities of the Board and the Managing Director are set out in the Board Charter.

Senior executives reporting to the Managing Director have their roles and responsibilities defined in position descriptions and are given a letter of appointment on commencement.

The Board Charter and Constitution are available on the Abacus website.

Recommendation 1.2

Each year the Board, with the assistance of the Managing Director, and the Nomination and Remuneration Committee, undertakes a formal process of reviewing the performance of senior executives. The measures generally relate to the performance of Abacus and the performance of the executive individually. The Managing Director is not present at the Board or Nomination and Remuneration Committee meetings when his own remuneration and performance is being considered.

An annual review has taken place in the reporting period in accordance with the process outlined above.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1

The board comprises one executive director and five non-executive directors. The majority of the Board

(Messrs Thame, Irving, Bastian and Bartlett) are independent members. The board has determined that an independent director is one who:

- is not a substantial security holder or an officer of, or is not otherwise associated directly with, a substantial security holder of the Group;
- has not within the previous three years been employed in any executive capacity;
- has not within the last three years been a principal of a material professional adviser or a material consultant to the Group; or an employee materially associated with the service provided;
- is not a material supplier or customer of the Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- does not have a material contractual relationship with the Group other than as a director.

No non-executive director has a relationship significant enough to compromise their independence on the Board.

Given the nature of the Group's business and current stage of development, the Board considers its current composition provides the necessary skills and experience to ensure a proper understanding of, and competence to deal with, the current and emerging issues of the business to optimise the financial performance of the Group and returns to securityholders. Details of the skills, experience and expertise of each director are set out on page 6.

Directors' independent advice

Directors may seek independent professional advice with the Chairman's consent, which will not be unreasonably withheld or delayed, on any matter connected with the performance of their duties, and which advice will be at the Group's expense.

Recommendation 2.2

The Chairman of the Board (Mr John Thame) is an independent, non-executive director.

Recommendation 2.3

The roles of Chairman and Chief Executive Officer/Managing Director are not exercised by the same individual.

The division of responsibility between the Chairman and Managing Director has been agreed by the Board and is set out in the Board Charter.

corporate governance report

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

Recommendation 2.4

The Board has established a Nomination and Remuneration Committee. The Committee's charter sets its role, responsibilities and membership requirements. The members of the committee and their attendance at meetings are provided on page 8.

The Chairman of the committee is independent.

The Selection and Appointment of Non-Executive Directors policy sets out the procedures followed when considering the appointment of new directors.

The Nomination and Remuneration Committee Charter and the Selection and Appointment of Non-Executive Directors Policy are available on the website.

The Board is committed to workplace diversity, with a particular focus on supporting the representation of women at a senior level of the Group and on the Board.

Recommendation 2.5

The Board has a documented Performance Evaluation Policy which outlines the process for evaluating the performance of the board, its committees and individual directors.

An annual review has taken place in the reporting period in accordance with the policy.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Recommendation 3.1

The Group's Code of Conduct promotes ethical practices and responsible decision making by directors and employees. The Code deals with confidentiality of information, protection of company assets, disclosure of potential conflicts of interest and compliance with laws and regulations.

The Code of Conduct is available on the website.

Recommendation 3.2

The Diversity Policy is available on the website.

The Board is committed to workplace diversity, with a particular focus on supporting the representation of women at a senior level of the Group and on the Board.

51% of Abacus Property Group's workforce are women and there is one female director on the Board. It is the Board's intention to have at least one female representative in a key management position within the next 3 years.

The Nomination and Remuneration Committee is responsible for developing these objectives and monitoring the progress of the objectives. The Board will report annually on the progress.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1, 4.2 and 4.3

The board has established an Audit and Risk Committee.

The Audit and Risk Committee comprises three independent non-executive directors and the chairman of the Committee is not the chairman of the Board. The members of the committee and their attendance at meetings are provided on page 8. Other directors that are not members of the committee, the external auditor and other senior executives attend meetings by invitation.

The Audit and Risk Committee has a formal charter which sets out its specific roles and responsibilities, and composition requirements.

The procedures for the selection and appointment of the external auditor are set out in the Audit and Risk Committee Charter.

The Audit and Risk Committee Charter is available on the website.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1

The Group has a policy and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements. The Managing Director is responsible for ensuring that the Group complies with its disclosure obligations.

The Continuous Disclosure and Shareholder Communications Policy is available on the website.

corporate governance report

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITYHOLDERS

Recommendation 6.1

The Group aims to keep securityholders informed of significant developments and activities of the Group. The Group's website is updated regularly and includes annual and half-yearly reports, distribution history and all other announcements lodged with the ASX. The website also includes webcasts of the results briefings.

The Group keeps a summary record for internal use of the issues discussed at group and one-on-one briefings with investors and analysts, including a record of those present where appropriate.

The Continuous Disclosure and Shareholder Communications Policy is available on the website.

In addition, the Group publishes a newsletter from time to time which updates investors and their advisers on the current activities of the Group.

External auditor

The external auditor attends the annual general meetings of the Group and is available to answer securityholder questions.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1 and 7.2

The Business Risk Management Policy dealing with oversight and management of material business risks is set out in the corporate governance information section on the Abacus website at www.abacusproperty.com.au.

The Group's Risk Management Framework was developed in consultation with an external consultant. Under the compliance plan the responsible managers report regularly on the risks they manage and any emerging risks.

An Internal Auditor (independent of the external auditor) has been appointed who reviews business processes and undertakes formal assessments throughout the year. These assessments are provided to the Audit and Risk Committee for review.

The Audit and Risk Committee has responsibility for reviewing the Group's risk management framework.

The risk management framework is formally reviewed annually. This review is initially carried out by the

Compliance and Risk Manager and then reviewed by the Audit and Risk Committee and the Board to assess any necessary changes.

Recommendation 7.3

The Managing Director and Chief Financial Officer confirm in writing to the Board that the financial statements present a true and fair view and that this statement is based on a sound system of risk management and internal compliance. The statement also confirms that the statement is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8: ENCOURAGE ENHANCED PERFORMANCE

Recommendation 8.1

The board has established a Nomination and Remuneration Committee.

The Nomination and Remuneration Committee is responsible for assessing the processes for evaluating the performance of the Board and key executives.

A copy of the committee charter is available on the website. The Chairman of the Nomination and Remuneration Committee is independent.

The Group's remuneration policies including security-based payment plans and the remuneration of key management personnel are discussed in the Remuneration Report.

The Nomination and Remuneration Committee may seek input from individuals on remuneration policies but no individual employee is directly involved in deciding their own remuneration.

The members of the committee and their attendance at meetings are provided on page 8.

Non-executive directors are paid fees for their service and do not participate in other benefits which may be offered other than those which are statutory requirements.

ASX additional information

ASX ADDITIONAL INFORMATION

Abacus Property Group is made up of the Abacus Trust, Abacus Income Trust, Abacus Group Holdings Limited and Abacus Group Projects Limited. The responsible entity of the Abacus Trust and Abacus Income Trust is Abacus Funds Management Limited.

ASX reserves the right (but without limiting its absolute discretion) to remove the stapled entities from the official list if any of the shares and/or units in the entities cease to be "stapled" together or any securities are issued by the entities which are not stapled to equivalent securities in the other entities.

Unless specified otherwise, the following information is current as at 22 August 2011.

Number of holders of ordinary fully paid stapled securities	10,537
Voting rights attached to ordinary fully paid stapled securities	one vote per stapled security
Number of holders holding less than a marketable parcel of ordinary fully paid stapled securities	681
Secretary, Abacus Funds Management Limited Secretary, Abacus Group Holdings Limited Secretary, Abacus Group Projects Limited	Ellis Varejes
Registered office Abacus Funds Management Limited Abacus Group Holdings Limited Abacus Group Projects Limited	Level 34, Australia Square 264-278 George Street Sydney NSW 2000 (02) 9253 8600
Registry	Boardroom Pty Limited Level 7, 207 Kent Street Sydney NSW 2000 (02) 9290 9600
Other stock exchanges on which Abacus Property Group securities are quoted	None
Number and class of restricted securities or securities subject to voluntary escrow that are on issue	None
There is no current on-market buy-back	

SUBSTANTIAL SECURITYHOLDER NOTIFICATIONS

Securityholders	Number of Securities
Calculator Australia Pty Limited	144,383,165
Perpetual Limited	26,765,156

ASX additional information

SECURITIES REGISTER

NUMBER OF SECURITIES	NUMBER OF SECURITYHOLDERS
1-1,000	1,700
1,001-5,000	4,502
5,001-10,000	2,362
10,001-100,000	1,896
100,001 – over	77

TOP 20 LARGEST SECURITYHOLDINGS

SECURITYHOLDERS	NUMBER OF SECURITY	% OF ISSUED SECURITIES
1 CALCULATOR AUSTRALIA PTY LIMITED <CALCULATOR AUSTRALIA A/C>	106,456,843	27.526
2 J P MORGAN NOMINEES AUSTRALIA LIMITED	40,177,642	10.388
3 CALCULATOR AUSTRALIA PTY LIMITED <CALCULATOR AUSTRALIA A/C>	36,391,318	9.409
4 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,576,464	6.096
5 NATIONAL NOMINEES LIMITED	19,661,052	5.084
6 RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PIPOOLED A/C>	19,554,761	5.056
7 RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <APN A/C>	9,381,342	2.426
8 CITICORP NOMINEES PTY LIMITED	7,974,251	2.062
9 COGENT NOMINEES PTY LIMITED	6,392,762	1.653
10 AMP LIFE LIMITED	4,917,626	1.272
11 CITICORP NOMINEES PTY LIMITED <CFSIL CWLTH AUST SHS 4 A/C>	4,323,669	1.118
12 JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	3,028,547	0.783
13 RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PIIC A/C>	2,889,134	0.747
14 RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MLCI A/C>	2,871,051	0.742
15 AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	2,410,518	0.623
16 EQUITY TRUSTEES LIMITED <EQT SGH PROPERTY INC FUND>	2,319,051	0.600
17 KALAMBAY LIMITED	2,269,502	0.587
18 COGENT NOMINEES PTY LIMITED <SMP ACCOUNTS>	2,118,594	0.548
19 SUNCORP CUSTODIAN SERVICES PTY LIMITED <AET>	1,975,336	0.511
20 CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	8,496,573	0.441

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