

# Appendix 4E

## Abacus Property Group

(comprising Abacus Group Holdings Limited and its controlled entities, Abacus Trust and its controlled entities, Abacus Income Trust and its controlled entities, Abacus Group Projects Limited and its controlled entities, Abacus Storage Property Trust and its controlled entities and Abacus Storage Operations Limited and its controlled entities)

**ABN: 31 080 604 619**

## Annual Financial Report For the year ended 30 June 2012

### Results for announcement to the market

(corresponding period: year ended 30 June 2011) <sup>(1)</sup>

|                                                                              |      |     |    |          |
|------------------------------------------------------------------------------|------|-----|----|----------|
| Total revenues and other income                                              | down | 16% | to | \$253.5m |
| Net profit after income tax expense attributable to stapled security holders | down | 70% | to | \$8.47m  |
| Underlying profit <sup>(2)</sup>                                             | up   | 7%  | to | \$76.8m  |

(1) Certain numbers shown here do not correspond to the 2011 financial statements as they reflect required adjustments resulting from the adoption of AASB10.

(2) The underlying profit reflects the statutory profit / (loss) 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. Adjustments have been adjusted for the fair value of investments held at balance date.

|                                                                                                                                                                                                                                                  | 30 June 2012<br>\$'000 | 30 June 2011<br>\$'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Consolidated statutory net profit after tax attributable to members of the Group</b>                                                                                                                                                          | <b>8,470</b>           | <b>28,587</b>          |
| less: consolidated profits/(losses) relating to Abacus Hospitality Fund, Abacus Storage Fund<br>Abacus Diversified Income Fund II and Abacus Miller Street Holding Trust (includes a net<br>loss in fair value of derivatives of \$19.1 million) | (16,033)               | 11,237                 |
| <b>Net profit attributable to ABP securityholders</b>                                                                                                                                                                                            | <b>24,503</b>          | <b>17,350</b>          |
| <b>Certain significant items:</b>                                                                                                                                                                                                                |                        |                        |
| Net change in fair value of investment properties held at balance date                                                                                                                                                                           | 4,958                  | 6,158                  |
| Net loss in fair value of investments and financial instruments held at balance date                                                                                                                                                             | 1,908                  | 16,285                 |
| Net loss in fair value of derivatives                                                                                                                                                                                                            | 35,205                 | 8,458                  |
| Net change in fair value of property, plant and equipment, inventory and investment properties<br>included in equity accounted investments                                                                                                       | 4,707                  | 7,900                  |
| Costs relating to the merger and restructuring of managed funds                                                                                                                                                                                  | 5,564                  | 16,000                 |
| <b>Underlying profit attributable to ABP securityholders</b>                                                                                                                                                                                     | <b>76,845</b>          | <b>72,151</b>          |
| Basic earnings per security (cents)                                                                                                                                                                                                              | 2.11                   | 7.68                   |
| Basic underlying earnings per security (cents)                                                                                                                                                                                                   | 19.17                  | 19.38                  |
| Distribution per security (cents - including proposed distribution)                                                                                                                                                                              | 16.50                  | 16.50                  |
| Weighted average securities on issue (million)                                                                                                                                                                                                   | 400.9                  | 372.3                  |

|                                                                              |                      |
|------------------------------------------------------------------------------|----------------------|
| Distributions                                                                | per stapled security |
| June 2012 half                                                               | 8.25 cents           |
| This distribution was declared on 2 July 2012 and was paid on 15 August 2012 |                      |
| Record date for determining entitlement to the distributions                 | 12 July 2012         |

Refer to the attached announcement for a detailed discussion of the Abacus Property Group's results and the above figures for the year ended 30 June 2012.

|                                                                                                                                                  |                      |          |
|--------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------|
| Details of individual and total distribution payments                                                                                            | per stapled security | Total    |
| Half December 2011 distribution paid 13 March 2012                                                                                               | 8.25 cents           | \$32.0 m |
| The distributions were paid in full by Abacus Trust and Abacus Income Trust which do not pay tax, hence there were no franking credits attached. |                      |          |

|                                                 |              |              |
|-------------------------------------------------|--------------|--------------|
|                                                 | 30 June 2012 | 30 June 2011 |
| Net tangible assets per security <sup>(3)</sup> | \$2.34       | \$2.51       |

(3) Net tangible assets per security excludes the external non-controlling interest.

The Group has consolidated the following entities during the period following the adoption of AASB10, 11 and 12:

- Abacus Hospitality Fund
- Abacus Diversified Income Fund II
- Abacus Miller Street Holding Trust

The Group also merged with Abacus Storage Fund on 6 March 2012. The Abacus Storage Fund had been previously consolidated by the Group following the adoption of AASB10.

| Details of associates and joint venture entities |                    |              |                            |                |
|--------------------------------------------------|--------------------|--------------|----------------------------|----------------|
|                                                  | Ownership Interest |              | Share of net profit/(loss) |                |
|                                                  | 30 June 2012       | 30 June 2011 | 30 June 2012               | 30 June 2011   |
|                                                  | %                  | %            | \$'000                     | \$'000         |
| Abacus Aspley Village Trust                      | 33                 | 33           | 515                        | (9,631)        |
| Abacus Colemans Road Trust                       | 50                 | 50           | 151                        | 575            |
| Abacus Wodonga Land Fund                         | 15                 | 15           | -                          | (1,195)        |
| Fordtrans Pty Ltd (Virginia Park)                | 50                 | 50           | 4,543                      | 4,077          |
| Hampton Residential Retirement Trust             | 50                 | 50           | (138)                      | 1,241          |
| Jigsaw Trust                                     | 50                 | 50           | 2,069                      | 505            |
| Other investments                                | 25 - 50            | 50           | 239                        | (1,982)        |
|                                                  |                    |              | <b>7,379</b>               | <b>(6,410)</b> |

The above equity accounted net profits and losses are predominantly due to fair value movements in the respective entities in which the Group has co-invested.

## **Distribution Reinvestment Plan (DRP)**

The Abacus Property Group DRP allows securityholders to reinvest their distributions into APG securities at a discount to the market price. Information on the terms of the DRP is available from our website [www.abacusproperty.com.au](http://www.abacusproperty.com.au).

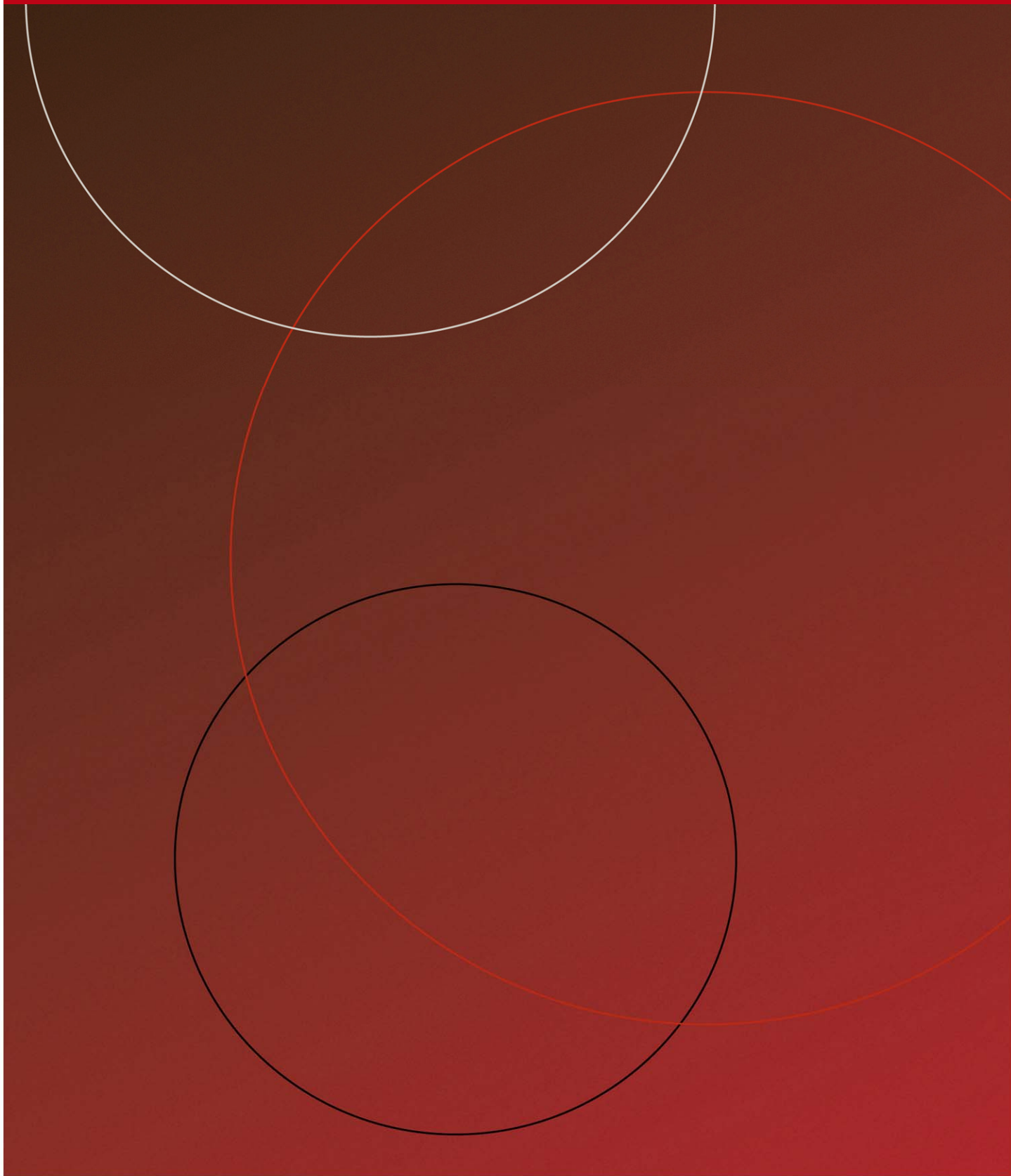
Securityholders wishing to participate in the DRP may lodge their election notice at any time. The record date for determining entitlements to each distribution is also the record date for participation in the DRP for that distribution.

Abacus Property Group  
ABN 31 080 604 619



Annual Financial Report

For the year ended 30 June 2012



# **ANNUAL FINANCIAL REPORT**

**30 June 2012**

## **Directory**

### **Abacus Group Holdings Limited**

ABN: 31 080 604 619

### **Abacus Group Projects Limited**

ABN: 11 104 066 104

### **Abacus Storage Operations Limited**

ABN: 37 112 457 075

### **Abacus Funds Management Limited**

ABN: 66 007 415 590

### **Abacus Storage Funds Management Limited**

ABN: 41 109 324 834

### **Registered Office**

Level 34, Australia Square  
264-278 George Street  
SYDNEY NSW 2000  
Tel: (02) 9253 8600  
Fax: (02) 9253 8616  
Website: [www.abacusproperty.com.au](http://www.abacusproperty.com.au)

### **Custodian:**

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

### **Directors of Responsible Entities and**

#### **Abacus Group Holdings Limited:**

John Thame, Chairman  
Frank Wolf, Managing Director  
William Bartlett  
David Bastian  
Malcolm Irving  
Myra Salkinder

#### **Company Secretary:**

Ellis Varejes

#### **Auditor (Financial and Compliance Plan):**

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

#### **Share Registry:**

Boardroom Pty Ltd  
Level 7, 207 Kent St  
SYDNEY NSW 2000  
Tel: 1300 737 760  
Fax: 1300 653 459

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It is recommended that this Annual Financial Report should be read in conjunction with the Annual Financial Report of Abacus Trust, Abacus Group Projects Limited, Abacus Income Trust, Abacus Storage Property Trust and Abacus Storage Operations Limited as at 30 June 2012. It is also recommended that the report be considered together with any public announcements made by the Abacus Property Group in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

**DIRECTORS' REPORT****30 June 2012**

The Directors present their report for the year ended 30 June 2012.

**PRINCIPAL ACTIVITIES**

Abacus Property Group operates predominantly in Australia and its principal activities during the course of the year ended 30 June 2012 included:

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

**ABP GROUP STRUCTURE (Listed entities)**

On 24 February 2012 securityholders in both ABP Group (listed group) and Abacus Storage Fund ("ASF"), an unlisted fund managed by Abacus Storage Funds Management Limited as responsible entity agreed to merge the two groups effective 6 March 2012. The merger resulted in the shares in Abacus Storage Operations Limited ("ASOL") and the units in Abacus Storage Property Trust ("ASPT") being stapled to the shares in Abacus Group Holdings Limited ("AGHL") and Abacus Group Projects Limited ("AGPL") and to the units in Abacus Trust ("AT") and Abacus Income Trust ("AIT"). The resulting stapled security is listed on the Australian Securities Exchange (ASX: ABP).

The ABP Group is now comprised of AGHL, AT, AGPL, AIT, ASOL and ASPT. Shares in AGHL, AGPL and ASOL and units in AT, AIT and ASPT have been stapled together. An ABP security comprises one share in AGHL, one unit in AT, one share in AGPL, one unit in AIT one share in ASOL and one unit in ASPT. A transfer, issue or reorganisation of a share or unit in any of the component parts requires while they continue to be stapled, a corresponding transfer, issue or reorganisation of a share or unit in each of the other component parts.

AGHL, AGPL and ASOL are companies incorporated and domiciled in Australia. AT, AIT and ASPT are Australian registered managed investment schemes. Abacus Funds Management Limited ("AFML") is the Responsible Entity of AT and AIT and Abacus Storage Funds Management Limited ("ASFML") is the Responsible Entity of ASPT. Both AFML and ASFML are incorporated and domiciled in Australia and are wholly-owned subsidiaries of AGHL.

**ABACUS PROPERTY GROUP CONSOLIDATION**

During the year the Directors adopted AASB10 – Consolidated Statements, AASB11 – Joint Arrangements and AASB12 – Disclosure of Interests in Other Entities. The application of AASB10 has led to the consolidation of Abacus Diversified Income Fund II, Abacus Hospitality Fund, Abacus Storage Fund and Abacus Miller Street Holding Trust by the ABP Group. This is due to the combination of ABP's role as responsible entity, variable returns arising from its collective equity and loan investments in these funds and certain guarantees. The standards are applied retrospectively as at 1 July 2010 and the comparative balances have been adjusted accordingly. The total impact of consolidating the funds was a net reduction of \$93.5 million to the 1 July 2010 retained earnings (see note 2 of the financial statements).

AGHL 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 2012 comprise the consolidated financial reports of AGHL and its controlled entities, AT and its controlled entities, AGPL and its controlled entities, AIT and its controlled entities, ASOL and its controlled entities, ASPT and its controlled entity, Abacus Diversified Income Fund II and its controlled entities, Abacus Hospitality Fund and its controlled entities, Abacus Storage Fund and its controlled entities (until the date of merger) and Abacus Miller Street Holding Trust and its controlled entity.

## DIRECTORS' REPORT

30 June 2012

### REVIEW AND RESULTS OF OPERATIONS

The Group earned a net profit attributable to members of \$8.47 million for the year ended 30 June 2012 (2011: \$28.59 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 ABP Group's underlying profit of \$76.8 million (2011: \$72.2 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 ABP Group, in accordance with the AICD / Finsia principles for reporting Underlying Profit. The following table is unaudited:

|                                                                                                | 2012          | 2011          |
|------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                | \$'000        | \$'000        |
| <b>Consolidated statutory net profit after tax attributable to members of the Group</b>        | <b>8,470</b>  | <b>28,587</b> |
| less: consolidated profits/(losses) relating to Abacus Hospitality Fund, Abacus Storage Fund   |               |               |
| Abacus Diversified Income Fund II and Abacus Miller Street Holding Trust (includes a net       |               |               |
| loss in fair value of derivatives of \$19.1 million)                                           | (16,033)      | 11,237        |
| <b>Net profit attributable to ABP securityholders</b>                                          | <b>24,503</b> | <b>17,350</b> |
| <b>Certain significant items:</b>                                                              |               |               |
| Net change in fair value of investment properties held at balance date                         | 4,958         | 6,158         |
| Net loss in fair value of investments and financial instruments held at balance date           | 1,908         | 16,285        |
| Net loss in fair value of derivatives                                                          | 35,205        | 8,458         |
| Net change in fair value of property, plant and equipment, inventory and investment properties |               |               |
| included in equity accounted investments                                                       | 4,707         | 7,900         |
| Costs relating to the merger and restructuring of managed funds                                | 5,564         | 16,000        |
| <b>Underlying profit attributable to ABP securityholders</b>                                   | <b>76,845</b> | <b>72,151</b> |
|                                                                                                | <b>2012</b>   | <b>2011</b>   |
| Basic earnings per security (cents)                                                            | 2.11          | 7.68          |
| Basic underlying earnings per security (cents)                                                 | 19.17         | 19.38         |
| Distribution per security (cents - including proposed distribution)                            | 16.50         | 16.50         |
| Weighted average securities on issue (million)                                                 | 400.9         | 372.3         |

The reduction in the net profit after tax attributable to members of the ABP Group was principally caused by the falling \$A interest rates during the year which at reporting date yielded a fair value loss of \$35.2 million on the interest rate swaps ABP uses to fix the cost of its borrowings, managed interest cover covenants and align these borrowings with the net revenue earned by the property portfolio. The fair value loss that the Group incurred, including the managed funds consolidated following the adoption of AASB10, on interest rate swaps used to fix the cost of borrowings was \$54.3 million (ABP Group \$35.2 million and managed funds \$19.1 million).

The ABP Group's gearing, which includes debt funding the ASF self storage portfolio, increased during the year to 28.6% (2011: 25.8%) which reflects the inclusion of the ASF borrowings.

The impact of both year-end fair value adjustments and the Group's performance on its financial condition were as follows:

|                                          | 2012           | 2011           |
|------------------------------------------|----------------|----------------|
| <b>Total Assets (\$ million)</b>         | <b>2,106.8</b> | <b>2,120.5</b> |
| <b>Gearing (%) ^</b>                     | <b>28.6</b>    | <b>25.8</b>    |
| <b>Net Assets* (\$ million)</b>          | <b>1,056.9</b> | <b>993.7</b>   |
| <b>Net Tangible Assets* (\$ million)</b> | <b>1,016.1</b> | <b>951.4</b>   |
| <b>NTA per security (\$)</b>             | <b>2.34</b>    | <b>2.51</b>    |
| <b>Securities on issue (million)</b>     | <b>434.9</b>   | <b>378.5</b>   |

\*excluding external non-controlling interests of \$51.0 million (2011 \$146.7 million)

^ABP Group

## **DIRECTORS' REPORT**

**30 June 2012**

### **REVIEW AND RESULTS OF OPERATIONS (continued)**

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

#### *Property*

As at 30 June 2012, the Group had an interest in the following properties:

|                                                                   | <b>\$'000</b> | <b>No. of properties</b> |
|-------------------------------------------------------------------|---------------|--------------------------|
| ABP Group (listed entities) including 44 self storage properties* | 1,118,708     | 88                       |
| Abacus Hospitality Fund^                                          | 156,221       | 5                        |
| Abacus Diversified Income Fund II^                                | 178,265       | 24                       |
| Abacus Miller Street Holding Trust^                               | 62,800        | 1                        |

\*Owned by ABP securityholders

^Consolidated per AASB10

Reflecting the stabilisation of market values, the Directors during the year approved a revised valuation policy for the Group that requires all assets to be independently valued at least every two years (previously annually).

The ABP Group investment property portfolio was revalued during the year ended 30 June 2012, which resulted in a net full year devaluation charge of \$4.9 million (2011: \$6.2 million).

During the year the Group acquired an interest in the following properties:

|                                                       |       |
|-------------------------------------------------------|-------|
| 309 George Street, Sydney (25% indirect ownership)    | \$19m |
| 484 St Kilda Road, Melbourne (25% indirect ownership) | \$18m |

Six properties including Epping Office Park in suburban Sydney were sold by the Group during the year for \$97.1 million which realised a gross profit of \$10.2 million.

The increase in rental income reflects a full year of income for the properties acquired during the course of the previous year.

#### *Storage*

As noted above the Group has 44 self storage properties located on the east coast of Australia and New Zealand. The properties are managed by Storage King.

Revenue earned from storage activities since the merger on 6 March 2012 with the ABP Group was \$16.9 million and its contribution to profit before fair value adjustments and finance costs for the same period was \$9.6 million.

Trading was consistent during the year with growth in storage rental income driven principally by increased average rental yield across the portfolio. New areas have been added to the portfolio comprising additional units acquired at Lane Cove and construction of a new building at Kambah, ACT

#### *Property Ventures*

Total property venture assets at 30 June 2012 were \$255.1 million (2011: \$270.0 million).

Revenue earned from lending and development activities totalled \$26.7 million for the year (2011: \$15.1 million) and its contribution before fair value adjustments was \$21.2 million (2011: 11.0 million)

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.



**DIRECTORS' REPORT****30 June 2012****REVIEW AND RESULTS OF OPERATIONS (continued)***Funds Management*

The strategic review of the unlisted retail funds announced in August 2011 has been completed and the outcomes were as follows:

- Abacus Storage Fund – the fund merged with the ABP Group;
- Abacus Hospitality Fund – securityholders in general meeting in June 2012 approved the continuation of the managed asset sale strategy;
- Abacus Diversified Income Fund II – continue to actively manage the Fund's property portfolio;
- Abacus Miller Street Fund – unitholders were advised in May 2012 that a sale of the Fund's property in North Sydney would be in their best interests; and
- Abacus Wodonga Land – the fund's bank debt was refinanced for another three years and it was decided to restructure the fees and interest payable by the Fund to improve its capital stability.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

As previously noted the ABP Group and ASF merged on 6 March 2012.

In February 2012 securityholders approved the reallocation of \$110 million of capital between the different entities within the ABP Group (\$66 million of capital from AT and \$44 million of capital from AIT was reallocated to AGHL - \$100 million and AGPL - \$10 million). The reallocation of capital had no impact on the reported profit of the ABP Group and was undertaken to provide further capital to the companies to support their activities and to reduce their borrowings to more appropriate levels.

The contributed equity of the Group increased \$92.2 million to \$1,232.0 million compared to \$1,139.8 million at 30 June 2011 due to the merger of the ABP Group and ASF and securityholder participation in the distribution reinvestment plan.

Total equity decreased by 2.8% to \$1,107.9 million at 30 June 2012 compared to \$1,140.4 million at 30 June 2011 principally as a result of adverse interest rate swap mark to market movements.

In December 2011, the ABP Group re-financed its \$400 million syndicated bank debt facility that was due to expire in August 2013 with a new tranching \$200 million three year and \$200 million four year facility with new maturity dates of December 2014 and December 2015, respectively. This materially extended the term of this core banking facility from the previous 2012/2013 refinancing requirements.

The ABP Group also increased its working capital bank debt facility limit with ANZ Bank from \$80 million to \$100 million. The maturity date of the ABP Group \$70 million bilateral facility with ANZ Bank was extended from December 2012 to September 2014.

In April 2012 the ABP Group refinanced its \$190 million club bank debt facility (maturing August 2013) over its storage assets with a new tranching \$95 million three year and \$95 million four year facility maturity dates of April 2015 and April 2016, respectively.

ADIFII renewed its existing \$54 million ANZ facility, which had an August 2012 maturity, to September 2014 and Abacus Miller Street Fund extended the term of its ANZ facility to September 2013.

At 30 June 2012, existing bank loan facilities of the ABP Group totalled \$789.9 million, of which \$567.5 million was drawn. Approximately 97% (2011: 58%\*\*) of bank debt drawn was subject to fixed rate hedges with a weighted average term to maturity of 3 years (2011: 4 years\*\*). At 30 June 2012, 25% of the 97% fixed rate hedge cover related to legacy ASF hedges. Hedge cover as a percentage of available facilities at 30 June 2012 is 69.7% (2011: 41.1%\*\*).

ABP's weighted average interest rate as at 30 June 2012 was 7.27% (2011: 7.81%\*\*). Line fees on undrawn facilities contributed to 0.39% of the weighted average interest rate at 30 June 2012 (2011: 0.87%\*\*). ABP's weighted average interest rate excluding the undrawn facilities line fees as at 30 June 2012 was 6.87% (2011: 6.94%\*\*).

\*\* Excludes ASF which merged with ABP Group on 6 March 2012.

**DIRECTORS' REPORT****30 June 2012****DISTRIBUTIONS**

ABP Group distributions in respect of the year ended 30 June 2012 were \$67.8 million (2011: \$61.8 million), which is equivalent to 16.5 cents per stapled security (2011: 16.5 cents). This distribution includes 8.25 cents (\$35.9 million) that was paid on 15 August 2012. Further details on the distributions, including distributions by the funds consolidated following the adoption of AASB10 are set out in note 9 of the financial statements.

**SIGNIFICANT EVENTS AFTER BALANCE DATE**

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.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The Group will continue to pursue strategies that seek to improve total security holder returns 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, AFML, ASOL 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 (appointed to ASOL on 24 February 2012) |
| David Bastian    | Non-executive Director                                         |
| Malcolm Irving   | Non-executive Director                                         |
| Myra Salkinder   | Non-executive Director                                         |

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

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**John Thame** AIBF, FCPA      Chairman (non-executive)

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 a member of the Audit & Risk and Remuneration & Nomination Committees.

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**Frank Wolf** OAM, PhD, BA (Hons)      Managing Director

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 \$2 billion worth of property related transactions, corporate acquisitions and divestments and has financed specialist property-based assets in retirement and hospitality sectors. He is also a director of HGL Limited, a diversified publicly listed investment company.

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**DIRECTORS' REPORT**

30 June 2012

**DIRECTORS AND SECRETARY (continued)**

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**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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**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 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.

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**William J Bartlett FCA, CPA, FCMA, CA(SA)**

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 Group Limited, GWA Limited, Reinsurance Group of America Inc and RGA Reinsurance Company of Australia Limited. He is Chairman of the Cerebral Palsy Foundation of Australia.

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

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**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 a member of the Due Diligence and Audit & Risk Committees.

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**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.

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

| <b>Directors</b> | <b>ABP securities held</b> |
|------------------|----------------------------|
| J Thame          | 55,364                     |
| F Wolf           | 2,837,464                  |
| W Bartlett       | 22,806                     |
| D Bastian        | 545,000                    |
| M Irving         | 29,063                     |

# **DIRECTORS' REPORT**

30 June 2012

## **DIRECTORS AND SECRETARY (continued)**

### **Directors' Meetings**

The number of meetings of directors (including meetings of committees of directors) of AGHL, AFML (the Responsible Entity of AT and AIT), AGPL, ASFML (the Responsible Entity of ASPT) and ASOL, held during the year and the number of meetings attended by each director were as follows:

|             | <b>Board</b> |          | <b>Audit &amp;<br/>Risk<br/>Committee</b> |          | <b>Nomination &amp;<br/>Remuneration<br/>Committee</b> |          |
|-------------|--------------|----------|-------------------------------------------|----------|--------------------------------------------------------|----------|
|             | Held         | Attended | Held                                      | Attended | Held                                                   | Attended |
| J Thame     | 18           | 18       | 4                                         | 4        | 5                                                      | 5        |
| F Wolf      | 18           | 18       |                                           |          |                                                        |          |
| W Bartlett  | 18           | 14       | 4                                         | 4        | 5                                                      | 5        |
| D Bastian   | 18           | 17       |                                           |          | 5                                                      | 5        |
| M Irving    | 18           | 18       | 4                                         | 4        | 5                                                      | 5        |
| M Salkinder | 18           | 14       | 4                                         | 4        |                                                        |          |

### **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 the 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. The Group is a core plus investor, not a builder of new buildings. The Group endeavours to choose sustainable options whenever that is a cost-effective outcome.

### **AUDITORS INDEPENDENCE DECLARATION**

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is shown on page 22.

### **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:

|                                           |           |
|-------------------------------------------|-----------|
| Transactional advisory and other services | \$262,300 |
|-------------------------------------------|-----------|

### **ROUNDING**

The amounts contained in this report and in the half-year 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.

**DIRECTORS' REPORT****30 June 2012****REMUNERATION REPORT (audited)**

This Remuneration Report outlines the director and executive remuneration arrangements of the Group in accordance with the requirements of the Corporations Act and 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 Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the executives in 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 Group.

**Details of key management personnel (including the highest paid executives of the Group).****(i) Non-executive Directors**

|              |          |
|--------------|----------|
| J. Thame     | Chairman |
| W. Bartlett  | Director |
| D. Bastian   | Director |
| M. Irving    | Director |
| M. Salkinder | Director |

**(ii) Executive Director**

|         |                   |
|---------|-------------------|
| F. Wolf | Managing Director |
|---------|-------------------|

**(iii) Executives**

|               |                                       |
|---------------|---------------------------------------|
| R. de Aboitiz | Chief Financial Officer               |
| 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               |

**Remuneration at a glance****Base salaries**

Base salaries paid to executives did not increase in the year ended 30 June 2012.

**Short Term Incentives**

Bonuses totalling \$1,700,000 are payable to the executives of the Group for the year ended 30 June 2012 as compared with \$1,235,500 paid in the previous year. 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 Group target was exceeded in the current year. The amount of each bonus was determined by reference to the performance of the executive against key performance indicators (KPIs) and other aspects of the executive's performance considered relevant in the context of the assessment.

**Long Term Incentives**

Global events impacting on Australia have had the effect that all long term incentives issued under the Group's Security Appreciation Rights Plan would not deliver value but would nevertheless have a cost to the Group. Accordingly, all rights issued under the plan were cancelled pending the finalisation of changes to the plan that will be introduced in the year ending 30 June 2013. These proposed changes are being discussed with the Group's independent remuneration consultant and proxy advisers.

**DIRECTORS' REPORT****30 June 2012****REMUNERATION REPORT (audited) (continued)****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 four 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](http://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.

***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 assessed against market rates 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 appropriate performance hurdles for the variable components of executive remuneration.

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 a higher proportion of fixed remuneration for executives compared to other A-REITs and a lower proportion of variable remuneration. Fixed remuneration for the senior executives did not increase in the year ended 30 June 2012.

## **DIRECTORS' REPORT**

30 June 2012

### **REMUNERATION REPORT (audited) (continued)**

#### ***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 enables the Group to attract, motivate and retain directors of the highest calibre, while incurring a cost that is market competitive.

##### ***Structure***

The Group's constituent documents and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors must be determined from time to time by securityholders. 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. The Board continued on its process to review Board's composition and in October 2011 announced that Mr David Bastian would retire as a director in November 2012. This will reduce the number of directors to five, the majority of which will be independent. The Board believes that it will then have a sufficient complement of experienced directors to manage the Group from that time.

The aggregate remuneration limit and the fee structure are reviewed annually and fees were increased effective from October 2011. The previous increase was in May 2009. The increase in fees took into account advice from the Board's independent consultants at the time, Deloitte Touche Tohmatsu, and a comparison of the fees paid to non-executive directors of other comparable A-REITs. Guerdon Associates now act as the Group's independent consultants.

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

| <b>Board/Committee</b>                        | <b>Role</b> | <b>Fee</b> |
|-----------------------------------------------|-------------|------------|
| Board                                         | Chairman    | \$191,000  |
| Board                                         | Member      | \$71,000   |
| Audit & Risk Committee                        | Chairman    | \$20,000   |
| Audit & Risk Committee                        | Member      | \$10,000   |
| Compliance Committee                          | Chairman    | \$10,000   |
| Due Diligence Committee                       | Chairman    | \$15,000   |
| Due Diligence Committee                       | Member      | \$5,000    |
| Remuneration & Nomination Committee           | Chairman    | \$12,000   |
| Remuneration & Nomination Committee           | Member      | \$8,000    |
| Abacus Storage Funds Management Limited Board | Member      | \$9,000    |

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 2012 and 2011 is detailed in Table 1 of this report.

**DIRECTORS' REPORT****30 June 2012****REMUNERATION REPORT (audited) (continued)****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.

The Group's key gateway financial measure for variable remuneration is underlying profit, which the Board believes is the appropriate way to ensure that variable remuneration is aligned with the interests of securityholders. The Group does not issue market guidance, but the gateway has been determined by the Board as appropriately challenging.

***Structure***

In determining the level and make-up of executive remuneration, the Remuneration & Nomination Committee used independent benchmarking information for the property industry generally and A-REITs in particular.

The Managing Director has a contract of employment. 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 incentives (STIs); and
  - long term incentives (LTIs).

The proportion of fixed remuneration and variable remuneration (STIs and LTIs) for each executive is generally in the following ratio:

Fixed – 60%

STIs – 20%

LTIs – 20%

The Group has a 70:30 investment strategy principally ensuring that 70% of its balance sheet exposure is to directly held core plus property, providing a sustainable recurring income stream. The Group's investment philosophy is to provide investors with stable returns from sound rental income and improvement of asset values resulting from diligent asset management of core plus assets. The LTI award strategy is consequently designed to drive sustainable underlying profit and cash receipts that cover the distribution level implicit in the ABP security price. It follows that the STIs should generally be shadowed with an equal LTI grant.

For the year ended 30 June 2012 the Board determined that within the context of providing market competitive levels of remuneration:

- (a) executives have an appropriate 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.

The Board considers that this approach should discourage excessive risk taking.

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.



# **DIRECTORS' REPORT**

30 June 2012

## **REMUNERATION REPORT (audited) (continued)**

### **Structure (continued)**

Both STIs and LTIs are offered to executives. STIs comprise cash bonuses. LTIs have been synthetic equity (comparable to cash-settled options) that generally have a vesting period of approximately three years. Following completion of the review of variable remuneration, the current LTI plan will be modified so as to deliver a greater level of alignment with securityholders and perceived value to executives.

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

| 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<br>(Issues of rights in the years ended 30 June 2011 and 2012 were cancelled in June 2012) | Awards have been made in the form of security appreciation rights.                     | Intended to reward 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 3 year vesting period.                                                                                                                    |

## **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. The remuneration for each executive is then assessed also by reference to market rates based on reliable benchmarking information and, where appropriate, external advice from the Group's remuneration consultant.

### **Base Salary**

Base salary is set by reference to the executive's position, performance and experience. In order to attract, motivate and retain executives of the highest quality the Group aims to set competitive rates of base salary. Base salary levels are benchmarked periodically and are reviewed on an annual basis having regard to performance, external market forces and promotion. There were no increases in base pay for executives for the year ended 30 June 2012.

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

### **Managing Director's remuneration**

In determining the Managing Director's remuneration the Board considered independent benchmarking information for the property industry as well as 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 evaluated 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.

## DIRECTORS' REPORT

30 June 2012

### REMUNERATION REPORT (audited) (continued)

#### Fixed Remuneration (continued)

The Group's ability to operate successfully in a period of economic uncertainty, to attract third party capital from substantial overseas groups and to acquire new flagship assets is evidence of the success of the remuneration approach. The Abacus Property Group merged with Abacus Storage Fund and the strategic review of the managed funds was completed.

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

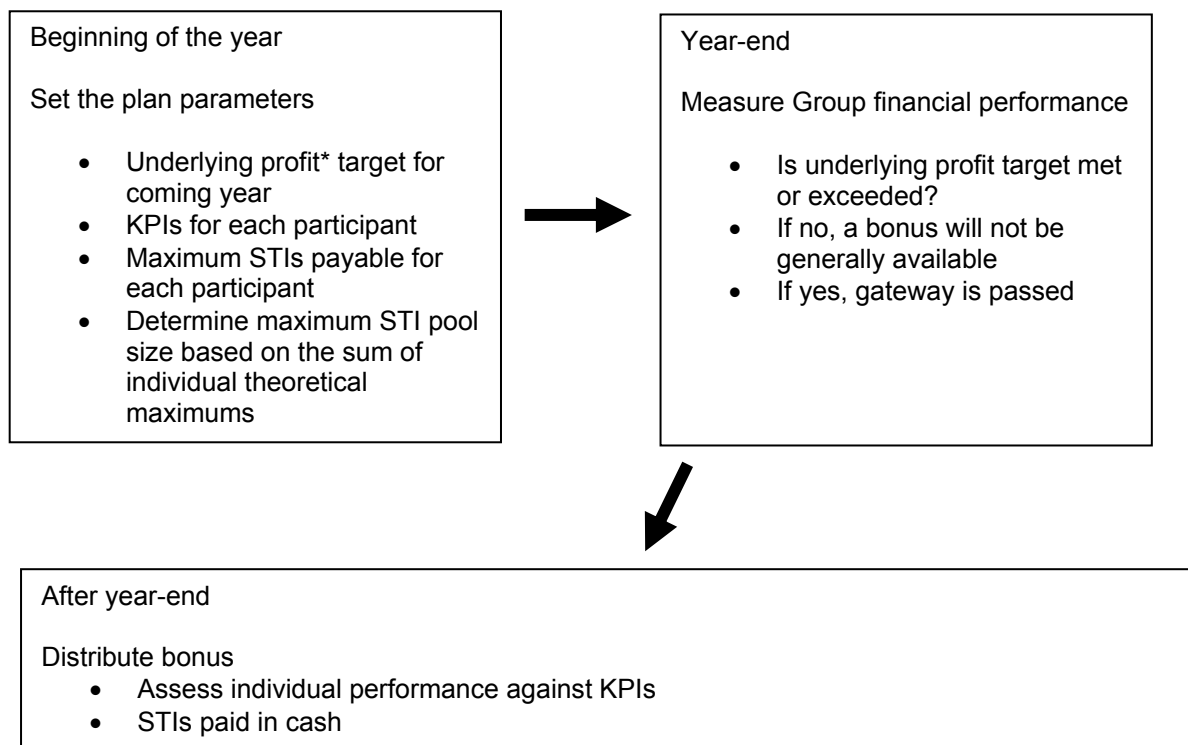
The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets.

##### 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 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:



# DIRECTORS' REPORT

30 June 2012

## REMUNERATION REPORT (audited) (continued)

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

#### Structure (continued)

\*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. The underlying profit is not audited.

For each relevant year the Board will specify an underlying 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 individual 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:<br>• Contribution to Group underlying profit                                                                                                                                                                                                                                                                                                                                                | 20-40% (dependant on role)                 |
| Non-financial measures:<br>• Quality of analysis and recommendations<br>• reporting and financial requirements<br>• Tax and compliance requirements<br>• Transaction and project management<br>• Key growth activities<br>• Risk management<br>• Asset value creation<br>• Leadership, staff management, teambuilding and succession<br>• Other performance measures focused on achieving business imperatives | 60-80%                                     |

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 2012****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 payment of STIs to executives is subject to approval by the Remuneration and Nomination Committee. The Committee considers the performance of the executive against the KPIs and approves the amount, if any, of the STI to be paid.

For the 2012 financial year an STI cash bonus of \$1,700,000 has been accrued and will be paid in September 2012.

For the 2011 financial year, 100% of the STI cash bonus of \$1,235,500 accrued in that year vested and was paid to executives in the 2012 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 Security Appreciation Rights (SARs) plan was 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 (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.

# **DIRECTORS' REPORT**

30 June 2012

## **REMUNERATION REPORT (audited) (continued)**

### ***LTI Security Appreciation Rights Plan (continued)***

#### **Security Appreciation Rights Plan**

The plan was designed to expose 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 for an award of SARs, executives are not entitled to any payment under the plan for that award.

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.

All of the SARs have been cancelled for the reasons previously stated in this report. The Board anticipates modifications to the LTI plan that should deliver perceived value to executives and hence be sufficiently incentivising so as to justify the cost of providing the LTI benefit. Executives will not be compensated for the cancellation of SARs issued to them in the financial years ended 30 June 2011 and 2012. The details of the SARs issued and cancelled during the year were as follows:

|                   | <b>Opening<br/>Balance</b> | <b>New issue<br/>during the year</b> | <b>Cancelled</b> | <b>Balance at 30<br/>June 2012</b> | <b>Potential value<br/>of cancelled<br/>SARs</b> |
|-------------------|----------------------------|--------------------------------------|------------------|------------------------------------|--------------------------------------------------|
| <b>Director</b>   |                            |                                      |                  |                                    |                                                  |
| Frank Wolf        | 730,769                    | 2,857,143                            | (3,587,912)      | -                                  | \$ 875,000                                       |
| <b>Executives</b> |                            |                                      |                  |                                    |                                                  |
| Ellis Varejes     | 269,231                    | 1,071,429                            | (1,340,660)      | -                                  | \$ 325,000                                       |
| John L'Estrange   | 153,846                    | 714,286                              | (868,132)        | -                                  | \$ 200,000                                       |
| Cameron Laird     | 153,846                    | 714,286                              | (868,132)        | -                                  | \$ 200,000                                       |
| Rod de Aboitiz    | 153,846                    | 535,714                              | (689,560)        | -                                  | \$ 175,000                                       |
| Len Lloyd         | 230,769                    | 714,286                              | (945,055)        | -                                  | \$ 250,000                                       |
| Peter Strain      | 230,769                    | 1,302,198                            | (1,302,198)      | -                                  | \$ 300,000                                       |

## DIRECTORS' REPORT

30 June 2012

### REMUNERATION REPORT (audited) (continued)

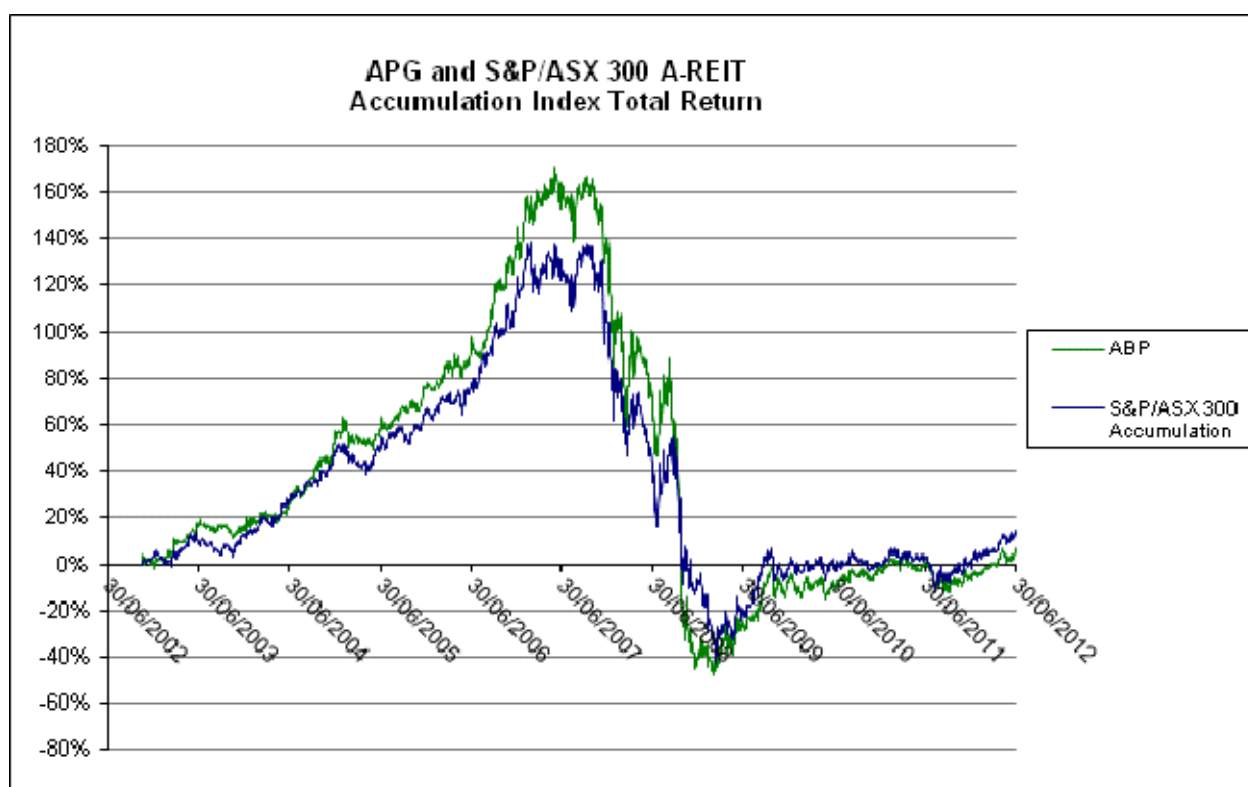
#### Link between remuneration policy and the Group's performance

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 SARs that will be issued following the modification of the LTI plan will be 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:



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

|                                          | 2008   | 2009   | 2010     | 2011*  | 2012   |
|------------------------------------------|--------|--------|----------|--------|--------|
| Underlying earnings per security (cents) | 13.98  | 8.30   | 3.90     | 19.38  | 19.17  |
| Distributions paid and proposed (cents)  | 13.50  | 7.75   | 3.15     | 16.50  | 16.50  |
| Closing security price (30 June)         | \$1.15 | \$0.37 | \$0.41   | \$2.31 | \$2.04 |
| Net tangible assets per security**       | \$1.37 | \$0.62 | \$0.58   | \$2.51 | \$2.34 |
| Weighted average securities on issue     | 650.9m | 867.5m | 1,662.5m | 372.3m | 400.9m |

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

\*\* Net tangible assets per security includes the impact of the fair value movements on the interest rate swaps. The fair value loss in 2012 was \$35.2 million.

**DIRECTORS' REPORT**

30 June 2012

**REMUNERATION REPORT (audited) (continued)****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

| 2012                                           | Short-term benefits |                  |                       | Post employment                             |                | Long-term benefits  | Security-based Payment | Total               | % Performance related |
|------------------------------------------------|---------------------|------------------|-----------------------|---------------------------------------------|----------------|---------------------|------------------------|---------------------|-----------------------|
|                                                | Salary & fees       | Cash bonus       | Non-monetary benefits | Total cash payments and short term benefits | Superannuation | Retirement benefits | Long service leave*    | Appreciation rights |                       |
| <b>Non-executive directors</b>                 |                     |                  |                       |                                             |                |                     |                        |                     |                       |
| J Thame - Chairman                             | 182,225             | -                | -                     | 182,225                                     | 15,775         | -                   | -                      | -                   | 198,000               |
| W Bartlett                                     | 90,138              | -                | -                     | 90,138                                      | 8,112          | -                   | -                      | -                   | 98,250                |
| D Bastian                                      | 42,250              | -                | -                     | 42,250                                      | 50,000         | -                   | -                      | -                   | 92,250                |
| M Irving                                       | 126,750             | -                | -                     | 126,750                                     | -              | -                   | -                      | -                   | 126,750               |
| M Salkinder                                    | 86,009              | -                | -                     | 86,009                                      | 7,741          | -                   | -                      | -                   | 93,750                |
| <b>Sub-total non-executive directors</b>       | <b>527,372</b>      | <b>-</b>         | <b>-</b>              | <b>527,372</b>                              | <b>81,628</b>  | <b>-</b>            | <b>-</b>               | <b>-</b>            | <b>609,000</b>        |
| <b>Executive Directors</b>                     |                     |                  |                       |                                             |                |                     |                        |                     |                       |
| F Wolf - Managing Director                     | 1,150,000           | 750,000          | 5,150                 | 1,905,150                                   | 50,000         | -                   | 19,683                 | -                   | 1,974,833             |
| <b>Other key management personnel</b>          |                     |                  |                       |                                             |                |                     |                        |                     |                       |
| R de Aboitiz - Chief Financial Officer         | 474,225             | 150,000          | -                     | 624,225                                     | 15,775         | -                   | 47,087                 | -                   | 687,087               |
| C Laird - Director Property Ventures           | 409,225             | 150,000          | 2,997                 | 562,222                                     | 15,775         | -                   | -                      | -                   | 577,997               |
| J L'Estrange - Director Property Ventures      | 411,225             | 200,000          | 5,150                 | 616,375                                     | 33,775         | -                   | 6,475                  | -                   | 656,625               |
| L Lloyd - Managing Director, Property Services | 350,000             | 125,000          | -                     | 475,000                                     | 50,000         | -                   | 6,335                  | -                   | 531,335               |
| P Strain - Director Property                   | 375,000             | 150,000          | 5,150                 | 530,150                                     | 50,000         | -                   | 6,714                  | -                   | 586,864               |
| E Varejes - Chief Operating Officer            | 459,223             | 175,000          | 5,150                 | 639,373                                     | 40,777         | -                   | 8,012                  | -                   | 688,162               |
| <b>Sub-total executive KMP</b>                 | <b>3,628,898</b>    | <b>1,700,000</b> | <b>23,597</b>         | <b>5,352,495</b>                            | <b>256,102</b> | <b>-</b>            | <b>94,306</b>          | <b>-</b>            | <b>5,702,903</b>      |
| <b>Total</b>                                   | <b>4,156,270</b>    | <b>1,700,000</b> | <b>23,597</b>         | <b>5,879,867</b>                            | <b>337,730</b> | <b>-</b>            | <b>94,306</b>          | <b>-</b>            | <b>6,311,903</b>      |

Details of the security appreciation rights cancelled during the year are set out on page 10

\*Accrued but not presently entitled



**Table 1: Remuneration of Key Management Personnel (continued)**

| 2011                                                | Short-term benefits |                  |                       |                                             | Post employment | Long-term benefits  | Security-based Payment | Total               | % Performance related |          |
|-----------------------------------------------------|---------------------|------------------|-----------------------|---------------------------------------------|-----------------|---------------------|------------------------|---------------------|-----------------------|----------|
|                                                     | Salary & fees       | Cash bonus       | Non-monetary benefits | Total cash payments and short term benefits | Superannuation  | Retirement benefits | Long service leave*    | Appreciation rights |                       |          |
| <b>Non-executive directors</b>                      |                     |                  |                       |                                             |                 |                     |                        |                     |                       |          |
| 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                | -        |
| <b>Sub-total non-executive directors</b>            | <b>422,825</b>      | <b>-</b>         | <b>-</b>              | <b>422,825</b>                              | <b>104,821</b>  | <b>-</b>            | <b>-</b>               | <b>-</b>            | <b>527,646</b>        | <b>-</b> |
| <b>Executive Directors</b>                          |                     |                  |                       |                                             |                 |                     |                        |                     |                       |          |
| F Wolf - Managing Director                          | 1,150,000           | 500,000          | 5,135                 | 1,655,135                                   | 50,000          | -                   | 19,634                 | 20,339              | 1,745,108             | 30%      |
| <b>Other key management personnel</b>               |                     |                  |                       |                                             |                 |                     |                        |                     |                       |          |
| R de Aboitiz - Chief Financial Officer              | 474,801             | 100,000          | -                     | 574,801                                     | 15,199          | -                   | -                      | 4,282               | 594,282               | 18%      |
| T Hardwick - Director Funds Management <sup>A</sup> | 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%      |
| <b>Sub-total executive KMP</b>                      | <b>3,650,769</b>    | <b>1,235,500</b> | <b>20,540</b>         | <b>4,906,809</b>                            | <b>242,886</b>  | <b>189,808</b>      | <b>95,369</b>          | <b>53,524</b>       | <b>5,488,396</b>      |          |
| <b>Total</b>                                        | <b>4,073,594</b>    | <b>1,235,500</b> | <b>20,540</b>         | <b>5,329,634</b>                            | <b>347,707</b>  | <b>189,808</b>      | <b>95,369</b>          | <b>53,524</b>       | <b>6,016,042</b>      |          |

\* 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 continues to perform his executive duties.

^ T Hardwick resigned in October 2010.

\*Accrued but not presently entitled

**DIRECTORS' REPORT**

30 June 2012

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



John Thame  
Chairman  
Sydney, 28 August 2012



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 2012, 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 stylized, handwritten signature of the Ernst & Young firm, written in black ink.

Ernst & Young

A handwritten signature of K. Zdrilic, written in black ink.

K. Zdrilic  
Partner  
28 August 2012

**CONSOLIDATED INCOME STATEMENT**  
**YEAR ENDED 30 JUNE 2012**

|                                                                                                        |       | 2012           | 2011           |
|--------------------------------------------------------------------------------------------------------|-------|----------------|----------------|
|                                                                                                        |       |                | restated*      |
|                                                                                                        | Notes | \$'000         | \$'000         |
| <b>REVENUE</b>                                                                                         |       |                |                |
| Rental income                                                                                          |       | 101,506        | 96,795         |
| Storage income                                                                                         |       | 47,093         | 41,872         |
| Hotel income                                                                                           |       | 52,011         | 52,411         |
| Finance income                                                                                         | 6(a)  | 28,997         | 22,569         |
| Funds management income                                                                                | 6(b)  | 6,509          | 4,550          |
| Sale of inventory                                                                                      |       | -              | 78,000         |
| <b>Total Revenue</b>                                                                                   |       | <b>236,116</b> | <b>296,197</b> |
| Net change in fair value of investment properties derecognised                                         |       | 9,456          | 1,955          |
| Net change in fair value of investments and financial instruments derecognised                         | 6(c)  | (132)          | 4,761          |
| Share of profit / (loss) from equity accounted investments                                             | 17(b) | 7,379          | (6,021)        |
| Other                                                                                                  |       | 686            | 2,679          |
| <b>Total Revenue and Other Income</b>                                                                  |       | <b>253,505</b> | <b>299,571</b> |
| Property expenses and outgoings                                                                        |       | (18,123)       | (14,967)       |
| Storage expenses                                                                                       |       | (16,410)       | (14,461)       |
| Hotel expenses                                                                                         |       | (40,010)       | (40,227)       |
| Depreciation, amortisation and impairment expense                                                      | 7(a)  | (7,800)        | (8,182)        |
| Cost of inventory sales                                                                                |       | -              | (63,094)       |
| Net change in fair value of derivatives                                                                |       | (54,315)       | (1,825)        |
| Net change in fair value of investment properties and property, plant & equipment held at balance date |       | (2,235)        | 8,096          |
| Net change in fair value of investments held at balance date                                           | 7(b)  | (1,244)        | (15,679)       |
| Finance costs                                                                                          | 7(c)  | (73,043)       | (66,878)       |
| Impairment charges - related parties                                                                   | 17(a) | (3,507)        | -              |
| Administrative and other expenses                                                                      | 7(d)  | (26,318)       | (27,686)       |
| <b>PROFIT BEFORE TAX</b>                                                                               |       | <b>10,500</b>  | <b>54,668</b>  |
| Income tax expense                                                                                     | 8(a)  | (2,474)        | (3,467)        |
| <b>NET PROFIT AFTER TAX</b>                                                                            |       | <b>8,026</b>   | <b>51,201</b>  |
| <b>PROFIT ATTRIBUTABLE TO:</b>                                                                         |       |                |                |
| Equity holders of the parent entity (AGHL)                                                             |       | 450            | 33,841         |
| <i>Equity holders of other stapled entities</i>                                                        |       |                |                |
| AT members                                                                                             |       | 6,507          | (8,804)        |
| AGPL members                                                                                           |       | 208            | (5,997)        |
| AIT members                                                                                            |       | 1,964          | 9,547          |
| ASPT members <sup>#</sup>                                                                              |       | (11,071)       | -              |
| ASOL members <sup>#</sup>                                                                              |       | 10,412         | -              |
| <b>Stapled security holders</b>                                                                        |       | <b>8,470</b>   | <b>28,587</b>  |
| Net profit / (loss) attributable to external non-controlling interests                                 |       | (444)          | 22,614         |
| <b>NET PROFIT</b>                                                                                      |       | <b>8,026</b>   | <b>51,201</b>  |
| <b>Basic and diluted earnings per stapled security (cents)</b>                                         | 10    | 2.11           | 7.68           |

\* Certain numbers shown here do not correspond to the 2011 financial statements as they reflect required adjustments resulting from the adoption of AASB10 as set out in note 2.

<sup>#</sup> Contribution since date of merger on 6 March 2012.

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**YEAR ENDED 30 JUNE 2012**

|                                                                                                                      | 2012          | 2011          |
|----------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                      |               | Restated*     |
|                                                                                                                      | \$'000        | \$'000        |
| <b>NET PROFIT AFTER TAX</b>                                                                                          | 8,026         | 51,201        |
| <b>OTHER COMPREHENSIVE INCOME</b>                                                                                    |               |               |
| Revaluation of assets, net of tax                                                                                    | 3,957         | (1,071)       |
| Foreign exchange translation adjustments, net of tax                                                                 | 3,782         | (289)         |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                                                                       | <b>15,765</b> | <b>49,841</b> |
| <b>Total comprehensive income attributable to:</b>                                                                   |               |               |
| Members of the APG Group                                                                                             | 9,808         | 29,160        |
| External non-controlling interests                                                                                   | 5,957         | 20,681        |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                                                                       | <b>15,765</b> | <b>49,841</b> |
| <b>Total comprehensive income / (loss) attributable to members of the Group analysed by amounts attributable to:</b> |               |               |
| AGHL members                                                                                                         | 1,788         | 34,409        |
| AT members                                                                                                           | 6,507         | (8,804)       |
| AGPL members                                                                                                         | 208           | (5,991)       |
| AIT members                                                                                                          | 1,964         | 9,547         |
| ASPT members                                                                                                         | (11,071)      | -             |
| ASOL members                                                                                                         | 10,412        | -             |
| <b>TO MEMBERS OF THE GROUP</b>                                                                                       | <b>9,808</b>  | <b>29,161</b> |

\*Certain numbers shown here do not correspond to the 2011 financial statements as they reflect required adjustments resulting from the adoption of AASB10 as set out in note 2.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2012**

|                                       |       | 30 Jun 2012      | 30 Jun 2011      | 1 Jul 2010       |
|---------------------------------------|-------|------------------|------------------|------------------|
|                                       |       |                  | restated*        | restated*        |
|                                       | Notes | \$'000           | \$'000           | \$'000           |
| <b>CURRENT ASSETS</b>                 |       |                  |                  |                  |
| Cash and cash equivalents             | 11    | 54,129           | 64,648           | 37,783           |
| Trade and other receivables           | 12(a) | 11,918           | 15,584           | 14,996           |
| Property, plant and equipment         |       | -                | -                | 20,901           |
| Investment properties held for sale   | 16    | 190,821          | 91,131           | 91,327           |
| Inventory                             | 15(a) | 26,479           | 23,382           | 1,899            |
| Property loans                        | 13(a) | 19,098           | 19,324           | 63,357           |
| Other financial assets                | 13(b) | 8,053            | 959              | 2,189            |
| Other                                 |       | 3,004            | 4,114            | 3,543            |
| <b>TOTAL CURRENT ASSETS</b>           |       | <b>313,502</b>   | <b>219,142</b>   | <b>235,995</b>   |
| <b>NON-CURRENT ASSETS</b>             |       |                  |                  |                  |
| Investment properties                 | 16    | 1,181,203        | 1,338,130        | 1,199,464        |
| Inventory                             | 15(b) | 100,974          | 57,595           | 89,648           |
| Property loans                        | 13(c) | 154,758          | 153,893          | 138,148          |
| Other financial assets                | 13(d) | 24,489           | 32,177           | 53,881           |
| Property, plant and equipment         | 14    | 154,065          | 163,238          | 159,279          |
| Equity accounted investments          | 17    | 121,833          | 99,195           | 102,028          |
| Deferred tax assets                   | 8(c)  | 16,320           | 15,978           | 16,897           |
| Intangible assets and goodwill        | 18    | 33,461           | 35,173           | 35,173           |
| Trade and other receivables           | 12(b) | 6,212            | 6,000            | -                |
| <b>TOTAL NON-CURRENT ASSETS</b>       |       | <b>1,793,315</b> | <b>1,901,379</b> | <b>1,794,518</b> |
| <b>TOTAL ASSETS</b>                   |       | <b>2,106,817</b> | <b>2,120,521</b> | <b>2,030,513</b> |
| <b>CURRENT LIABILITIES</b>            |       |                  |                  |                  |
| Trade and other payables              | 19(a) | 30,426           | 30,509           | 32,424           |
| Interest-bearing loans and borrowings | 20    | 29,950           | 47,366           | 230,790          |
| Income tax payable                    |       | 636              | 566              | -                |
| Other                                 |       | 4,516            | 3,567            | 3,186            |
| <b>TOTAL CURRENT LIABILITIES</b>      |       | <b>65,528</b>    | <b>82,008</b>    | <b>266,400</b>   |
| <b>NON-CURRENT LIABILITIES</b>        |       |                  |                  |                  |
| Trade and other payables              | 19(b) | 12,725           | 13,575           | 4,065            |
| Interest-bearing loans and borrowings | 20    | 772,260          | 791,868          | 540,987          |
| Derivatives at fair value             |       | 79,752           | 28,644           | 44,855           |
| Deferred tax liabilities              | 8(c)  | 10,183           | 8,800            | 7,203            |
| Other financial liabilities           | 30    | 56,250           | 49,902           | 36,789           |
| Other                                 |       | 2,227            | 5,314            | 1,866            |
| <b>TOTAL NON-CURRENT LIABILITIES</b>  |       | <b>933,397</b>   | <b>898,103</b>   | <b>635,765</b>   |
| <b>TOTAL LIABILITIES</b>              |       | <b>998,925</b>   | <b>980,111</b>   | <b>902,165</b>   |
| <b>NET ASSETS</b>                     |       | <b>1,107,892</b> | <b>1,140,410</b> | <b>1,128,348</b> |
| <b>TOTAL EQUITY</b>                   |       | <b>1,107,892</b> | <b>1,140,410</b> | <b>1,128,348</b> |

\*Certain amounts shown here do not correspond to the 2011 financial statements as they reflect required adjustments resulting from the adoption of AASB10 as set out in note 2.

# ABACUS PROPERTY GROUP

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 30 JUNE 2012

|                                                                        |       | 30 Jun 2012      | 30 Jun 2011      | 1 Jul 2010       |
|------------------------------------------------------------------------|-------|------------------|------------------|------------------|
|                                                                        |       |                  | restated*        | restated*        |
|                                                                        | Notes | \$'000           | \$'000           | \$'000           |
| <b>Equity attributable to members of AGHL:</b>                         |       |                  |                  |                  |
| Contributed equity                                                     |       | 157,386          | 50,270           | 48,440           |
| Reserves                                                               |       | 6,050            | 2,405            | 1,839            |
| Accumulated losses                                                     |       | (47,337)         | (46,275)         | (80,362)         |
| <b>Total equity attributable to members of AGHL:</b>                   |       | <b>116,099</b>   | <b>6,400</b>     | <b>(30,083)</b>  |
| <b>Equity attributable to unitholders of AT:</b>                       |       |                  |                  |                  |
| Contributed equity                                                     |       | 783,358          | 860,983          | 837,064          |
| Accumulated losses                                                     |       | (137,593)        | (104,494)        | (58,057)         |
| <b>Total equity attributable to unitholders of AT:</b>                 |       | <b>645,765</b>   | <b>756,489</b>   | <b>779,007</b>   |
| <b>Equity attributable to members of AGPL:</b>                         |       |                  |                  |                  |
| Contributed equity                                                     |       | 20,415           | 9,657            | 9,459            |
| Reserves                                                               |       | (78)             | (78)             | (85)             |
| Accumulated losses                                                     |       | (17,529)         | (17,737)         | (11,740)         |
| <b>Total equity attributable to members of AGPL:</b>                   |       | <b>2,808</b>     | <b>(8,158)</b>   | <b>(2,366)</b>   |
| <b>Equity attributable to unitholders of AIT:</b>                      |       |                  |                  |                  |
| Contributed equity                                                     |       | 170,620          | 218,914          | 212,031          |
| Accumulated losses                                                     |       | (566)            | 20,095           | 33,349           |
| <b>Total equity attributable to unitholders of AIT:</b>                |       | <b>170,054</b>   | <b>239,009</b>   | <b>245,380</b>   |
| <b>Equity attributable to members of ASPT:</b>                         |       |                  |                  |                  |
| Contributed equity                                                     |       | 87,461           | -                | -                |
| Reserves                                                               |       | (2,322)          | -                | -                |
| Retained earnings                                                      |       | 8,790            | -                | -                |
| <b>Total equity attributable to members of ASPT:</b>                   |       | <b>93,929</b>    | <b>-</b>         | <b>-</b>         |
| <b>Equity attributable to members of ASOL:</b>                         |       |                  |                  |                  |
| Contributed equity                                                     |       | 12,754           | -                | -                |
| Reserves                                                               |       | 13               | -                | -                |
| Retained earnings                                                      |       | 15,501           | -                | -                |
| <b>Total equity attributable to members of ASOL:</b>                   |       | <b>28,268</b>    | <b>-</b>         | <b>-</b>         |
| <b>Equity attributable to external non-controlling interest:</b>       |       |                  |                  |                  |
| Contributed equity                                                     |       | 67,295           | 135,713          | 135,145          |
| Reserves                                                               |       | 5,424            | (978)            | 955              |
| Accumulated losses                                                     |       | (21,750)         | 11,935           | 310              |
| <b>Total equity attributable to external non-controlling interest:</b> |       | <b>50,969</b>    | <b>146,670</b>   | <b>136,410</b>   |
| <b>TOTAL EQUITY</b>                                                    |       | <b>1,107,892</b> | <b>1,140,410</b> | <b>1,128,348</b> |
|                                                                        |       |                  |                  |                  |
| Contributed equity                                                     | 23    | 1,231,994        | 1,139,824        | 1,106,994        |
| Reserves                                                               |       | 3,663            | 2,327            | 1,754            |
| Accumulated losses                                                     |       | (178,734)        | (148,411)        | (116,810)        |
| Total stapled security holders' interest in equity                     |       | 1,056,923        | 993,740          | 991,938          |
| Total external non-controlling interest                                |       | 50,969           | 146,670          | 136,410          |
| <b>TOTAL EQUITY</b>                                                    |       | <b>1,107,892</b> | <b>1,140,410</b> | <b>1,128,348</b> |

\* Certain amounts shown here do not correspond to the 2011 financial statements as they reflect required adjustments resulting from the adoption of AASB 10 as set out in note 2.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 30 JUNE 2012**

|                                                | Attributable to the stapled security holder |                           |                              |                          |                   | External                 |                  |
|------------------------------------------------|---------------------------------------------|---------------------------|------------------------------|--------------------------|-------------------|--------------------------|------------------|
|                                                | Issued capital                              | Asset revaluation reserve | Foreign currency translation | Employee equity benefits | Retained earnings | Non-controlling interest | Total Equity     |
| CONSOLIDATED                                   | \$'000                                      | \$'000                    | \$'000                       | \$'000                   | \$'000            | \$'000                   | \$'000           |
| <b>At 1 July 2011*</b>                         | 1,139,824                                   | 1,021                     | (4,142)                      | 5,448                    | (148,411)         | 146,670                  | 1,140,410        |
| Other comprehensive income                     | -                                           | (409)                     | 1,745                        | -                        | -                 | 6,403                    | 7,739            |
| Net income for the year                        | -                                           | -                         | -                            | -                        | 8,470             | (444)                    | 8,026            |
| <b>Total comprehensive income for the year</b> | -                                           | (409)                     | 1,745                        | -                        | 8,470             | 5,959                    | 15,765           |
| Equity raisings^                               | 56,528                                      | -                         | -                            | -                        | -                 | -                        | 56,528           |
| Return of capital^                             | (61,873)                                    | -                         | -                            | -                        | -                 | -                        | (61,873)         |
| Distribution reinvestment plan                 | 36,189                                      | -                         | -                            | -                        | -                 | -                        | 36,189           |
| Issue costs                                    | (2,168)                                     | -                         | -                            | -                        | -                 | -                        | (2,168)          |
| Acq. of non-controlling interest               | -                                           | -                         | -                            | -                        | -                 | (1,754)                  | (1,754)          |
| Merger of ASOL / ASPT                          | 63,494                                      | -                         | -                            | -                        | 24,387            | (87,881)                 | -                |
| Distribution to security holders               | -                                           | -                         | -                            | -                        | (63,180)          | (12,025)                 | (75,205)         |
| <b>At 30 June 2012</b>                         | <b>1,231,994</b>                            | <b>612</b>                | <b>(2,397)</b>               | <b>5,448</b>             | <b>(178,734)</b>  | <b>50,969</b>            | <b>1,107,892</b> |

^Capital was returned to securityholders that was applied to the issue of securities as part of the merger between the ABP Group and ASF (Note 27)

|                                                | Attributable to the stapled security holder |                           |                              |                          |                   | External                 |                  |
|------------------------------------------------|---------------------------------------------|---------------------------|------------------------------|--------------------------|-------------------|--------------------------|------------------|
|                                                | Issued capital                              | Asset revaluation reserve | Foreign currency translation | Employee equity benefits | Retained earnings | Non-controlling interest | Total Equity     |
| CONSOLIDATED                                   | \$'000                                      | \$'000                    | \$'000                       | \$'000                   | \$'000            | \$'000                   | \$'000           |
| <b>At 1 July 2010 (pre AASB10)</b>             | 1,110,517                                   | 342                       | (3,975)                      | 5,448                    | (23,262)          | 13,799                   | 1,102,869        |
| Application of AASB 10                         | (3,523)                                     | 297                       | (358)                        | -                        | (93,547)          | 122,610                  | 25,479           |
| <b>At 1 July 2010 (post AASB10)</b>            | <b>1,106,994</b>                            | <b>639</b>                | <b>(4,333)</b>               | <b>5,448</b>             | <b>(116,809)</b>  | <b>136,409</b>           | <b>1,128,348</b> |
| Other comprehensive income                     | -                                           | 382                       | 191                          | -                        | -                 | (1,933)                  | (1,360)          |
| Net income for the year                        | -                                           | -                         | -                            | -                        | 28,587            | 22,614                   | 51,201           |
| <b>Total comprehensive income for the year</b> | -                                           | 382                       | 191                          | -                        | 28,587            | 20,681                   | 49,841           |
| Equity raisings                                | -                                           | -                         | -                            | -                        | -                 | -                        | -                |
| Distribution reinvestment plan                 | 32,779                                      | -                         | -                            | -                        | -                 | -                        | 32,779           |
| Issue costs                                    | 51                                          | -                         | -                            | -                        | -                 | -                        | 51               |
| Movement in equity interest                    | -                                           | -                         | -                            | -                        | (95)              | 95                       | -                |
| Distribution to security holders               | -                                           | -                         | -                            | -                        | (60,094)          | (10,515)                 | (70,609)         |
| <b>At 30 June 2011*</b>                        | <b>1,139,824</b>                            | <b>1,021</b>              | <b>(4,142)</b>               | <b>5,448</b>             | <b>(148,411)</b>  | <b>146,670</b>           | <b>1,140,410</b> |

\* Certain amounts shown here do not correspond to the 2011 financial statements as they reflect required adjustments resulting from the adoption of AASB10 as set out in note 2.



**CONSOLIDATED STATEMENT OF CASH FLOW**  
**YEAR ENDED 30 JUNE 2012**

|                                                                   |       | 2012             | 2011             |
|-------------------------------------------------------------------|-------|------------------|------------------|
|                                                                   |       |                  | Restated*        |
|                                                                   | Notes | \$'000           | \$'000           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |       |                  |                  |
| Income receipts                                                   |       | 258,618          | 307,041          |
| Interest received                                                 |       | 3,657            | 2,589            |
| Distributions received                                            |       | 1,015            | 1,328            |
| Income tax paid                                                   |       | (1,353)          | (229)            |
| Finance costs paid                                                |       | (60,735)         | (62,522)         |
| Operating payments                                                |       | (114,952)        | (102,048)        |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                   | 11    | <b>86,250</b>    | <b>146,159</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |       |                  |                  |
| Payments for investments and funds advanced                       |       | (91,909)         | (74,414)         |
| Proceeds from sale and settlement of investments and funds repaid |       | 27,208           | 50,066           |
| Purchase of property, plant and equipment                         |       | (1,230)          | (3,404)          |
| Proceeds from sale of property, plant and equipment               |       | 15,512           | 13,251           |
| Purchase of investment properties                                 |       | (24,382)         | (175,932)        |
| Disposal of investment properties                                 |       | 96,079           | 38,003           |
| Payment for other investments                                     |       | (5,138)          | (3,180)          |
| <b>NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>       |       | <b>16,140</b>    | <b>(155,610)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |       |                  |                  |
| Proceeds from issue of stapled securities                         |       | 62,901           | 13,209           |
| Return of capital                                                 |       | (61,873)         | -                |
| Payment of issue / finance costs                                  |       | (6,223)          | (8,139)          |
| Repayment of borrowings                                           |       | (242,345)        | (342,650)        |
| Proceeds from borrowings                                          |       | 174,954          | 415,965          |
| Distributions paid                                                |       | (40,338)         | (41,414)         |
| <b>NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>       |       | <b>(112,924)</b> | <b>36,971</b>    |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>       |       | <b>(10,534)</b>  | <b>27,520</b>    |
| Net foreign exchange differences                                  |       | 15               | (155)            |
| Cash and cash equivalents at beginning of year                    |       | 64,648           | 37,283           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                   | 11    | <b>54,129</b>    | <b>64,648</b>    |

\* Certain amounts shown here do not correspond to the 2011 financial statements as they reflect required adjustments resulting from the adoption of AASB10 as set out in note 2.

**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2012****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"), Abacus Income Trust ("AIT"), Abacus Storage Property Trust ("ASPT") and Abacus Storage Operations Limited ("ASOL"). Shares in AGHL, AGPL and ASOL and units in AT, AIT and ASPT have been stapled together so that neither can be dealt with without the other. The securities trade as one security on the Australian Securities Exchange (the "ASX") under the code ABP. The units in ASPT and the shares in ASOL were stapled to the Group in March 2012.

The financial report of the Group for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 28 August 2012.

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 2011. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- AASB 124 Related Party Transactions - The AASB issued an amendment to AASB 124 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.
- AASB 132 Financial Instruments: Presentation – The AASB issued an amendment that alters the definition of a financial liability in AASB 132 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group.
- AASB Int 14 Prepayments of a Minimum Funding Requirement – The amendment has had no effect on the financial position or performance of the Group.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2012

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(c) New accounting standards and interpretations (continued)***(i) Changes in accounting policy and disclosures (continued)***Improvements to AASBs**

In May 2010, the AASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying working. These are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

- AASB7 Financial Instruments – Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Group reflects the revised disclosure requirements in Note 22.

Other amendments resulting from improvements to AASBs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- AASB 3 Business Combinations
- AASB 101 Presentation of Financial Statements
- AASB 127 Separate Financial Statements
- AASB 134 Interim Financial Statements

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- AASB Int 13 Customer Loyalty Programmes
- AASB Int 19 Extinguishing Financial Liabilities with Equity Instruments

During the year the Group has also adopted the following standards, together with the consequential amendments as at 1 July 2011.

**AASB 10 Consolidated Financial Statements:** establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 127.

**AASB 11 Joint Arrangements:** replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly controlled Entities – Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the parties 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 parties a right to the net assets is accounted for using the equity method.

Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## (c) New accounting standards and interpretations (continued)

*(i) Changes in accounting policy and disclosures (continued)*

**AASB 12 Disclosure of Interests in Other Entities:** includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about certain joint arrangements, associates and structured entities and subsidiaries with non controlling interests.

The Group has applied the above standards retrospectively as at 1 July 2010 and the comparative balances have been adjusted accordingly.

The impact of the adoption of these standards are summarised below:

**AASB10 Consolidated Financial Statements:** adoption has resulted in the consolidation of Abacus Hospitality Fund, Abacus Storage Fund, Abacus Diversified Income Fund II and Abacus Miller Street Holding Trust. This is due to the combination of APG's role as responsible entity, variable returns arising from its collective equity and loan investments in these funds and certain guarantees. The total impact of consolidating the funds was a net reduction of \$93.5 million to the Group's 1 July 2010 retained earnings made up as follows:

- **Abacus Hospitality Fund ("AHF"):** the consolidation of AHF results in the effective settlement of the Abacus working capital loan to AHF at its fair value at the deemed control date rather than its anticipated recoverable value based on a 2016 maturity date. This resulted in a \$47.1 million reduction to the Group's 1 July 2010 retained earnings.
- **Abacus Storage Fund ("ASF"):** the consolidation of ASF resulted in a \$1.7 million increase to the Group's 1 July 2010 retained earnings.
- **Abacus Diversified Income Fund II ("ADIFII"):** The consolidation of ADIFII results in the recognition of ADIFII's issued units as a liability as a result of the capital guarantee and is measured at the current value of the capital and yield guarantee amounts rather than the estimated liability under the guarantees in 2013 and 2016. This resulted in a \$48.4 million reduction to the Group's 1 July 2010 retained earnings.
- **Abacus Miller Street Holding Trust ("AMSHT"):** the consolidation of AMSHT will result in a \$0.3m increase to the Group's 1 July 2010 retained earnings.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) New accounting standards and interpretations (continued)

##### (i) *Changes in accounting policy and disclosures (continued)*

As a result of the accounting policy change, the following consolidation adjustments were made to the financial statements:

As of 1 July 2010 (statement of financial position)

- Increase in cash and cash equivalents of \$16.0 million
- Increase in trade and other receivables of \$1.2 million
- Increase in inventory of \$0.5 million
- Decrease in property loans of \$210.7 million
- Increase in other assets of \$1.6 million
- Increase in investment properties of \$581.7 million
- Increase in other financial assets of \$6.8 million
- Increase in property, plant and equipment of \$150.0 million
- Decrease in equity accounted investment of \$25.7 million
- Increase in deferred tax assets of \$3.7 million
- Increase in trade and other payables of \$19.4 million
- Increase in interest bearing loans and borrowings of \$422.1 million
- Increase in derivatives at fair value of \$14.5 million
- Increase in deferred tax liabilities of \$6.9 million
- Increase in other financial liabilities of \$36.8 million
- Reduction in issued capital (recognition of issue costs) of \$3.5 million
- Increase in asset revaluation reserve of \$0.3 million
- Decrease in foreign currency translation reserve of \$0.4 million
- Increase in accumulated losses of \$93.5 million
- Increase in non-controlling interests in equity of \$122.6 million

As of and for the year ended 30 June 2011 (income statement, statement of other comprehensive income, statement of cash flow)

- Increase in property / storage / hotel income of \$116.8 million
- Decrease in finance income of \$0.7 million
- Decrease in funds management income of \$15.9 million
- Increase in net change in fair value of derivatives of \$6.6 million
- Increase in net change in fair value of investment properties derecognised of \$0.7 million
- Increase in net change in fair value of investments and financial instruments derecognised of \$1.7 million
- Decrease in share of loss from equity accounted investments of \$2.6 million
- Decrease in other revenue of \$1.5 million
- Increase in property / storage / hotel expenses and outgoings of \$56.1 million
- Increase in depreciation, amortisation and impairment expense of \$5.1 million
- Increase in net change in fair value of investment properties held at balance date of \$14.3 million
- Net change in fair value of investments held at balance date of \$1.0 million
- Increase in finance costs of \$33.0 million
- Increase in administrative and other expenses of \$10.3 million
- Increase in income tax expense of \$2.9 million
- Net increase in profit after tax of \$33.4 million
- Net increase in comprehensive income of \$30.8 million
- Net decrease in cash from operating activities of \$23.7 million
- Net increase in cash used in investing activities of \$12.5 million
- Net increase in cash from financing activities of \$32.4 million

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2012

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(c) New accounting standards and interpretations (continued)***(i) Changes in accounting policy and disclosures (continued)*

As of 30 June 2011 (statement of financial position)

Increase in cash and cash equivalents of \$19.1 million  
 Increase in trade and trade receivables of \$2.8 million  
 Increase in inventory of \$0.5 million  
 Decrease in property loans of \$167.9 million  
 Increase in other assets of \$0.9 million  
 Increase in investment properties of \$585.0 million  
 Decrease in other financial assets of \$40.8 million  
 Increase in property, plant and equipment of \$143.9 million  
 Decrease in equity accounted investments of \$28.1 million  
 Increase in deferred tax assets of \$4.0 million  
 Increase in trade and other payables of \$17.1 million  
 Increase in interest bearing loans and borrowings of \$392.7 million  
 Increase in income tax payable of \$0.6 million  
 Increase in other liabilities of \$1.5 million  
 Increase in derivatives at fair value of \$1.3 million  
 Increase in other financial liabilities of \$49.9 million  
 Reduction in issued capital (recognition of issue costs) of \$3.4 million  
 Increase in asset revaluation reserve of \$0.1 million  
 Decrease in foreign currency translation reserve of \$0.5 million  
 Increase in accumulated losses \$82.1 million  
 Increase in non-controlling interests in equity of \$132.9 million

Additional qualitative and quantitative disclosures have been added with respect to subsidiaries with material non-controlling interest. Refer to note 25.

**AASB 11 Joint Arrangements:** adoption has had no impact in the Group's method of accounting for its joint arrangements. The adoption of AASB 12 has resulted in the Group disclosing the summarised financial information of material investments in joint arrangements. Prior to adoption of AASB12, the Group's share of summarised financial information was disclosed.

**AASB 12 Disclosure of Interests in Other Entities:** adoption has resulted in the Group disclosing the summarised financial information of material investments in joint arrangements. Prior to adoption of AASB12, the Group's share of summarised financial information was disclosed.

*(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 2012. These are outlined in the table below.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) New accounting standards and interpretations (continued)

| Reference   | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Application date of standard* | Impact on Group financial report                                                                                                                                                                                                                                                                                                                                                                                         | Application date for Group* |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| 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 the basis that the carrying amount will be recoverable through sale. The amendments also incorporate <i>SIC-21 Income Taxes – Recovery of Revalued Non-depreciable Assets</i> into AASB 112.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 1 January 2012                | This revision will not have a material impact on the Group's financial statements and the way it currently discloses deferred tax assets and liabilities.                                                                                                                                                                                                                                                                | 1 July 2012                 |
| AASB 9      | <p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be 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.</p> <p>(b) 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.</p> <p>(c) Financial assets can be designated and measured at fair value through 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.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>- The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>- The remaining change is presented in profit or loss.</li> </ul> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p> | 1 January 2015                | <p>The Group will review the classification of its existing financial assets and liabilities in line with the standard, such as secured and related party loans, options and derivatives.</p> <p>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.</p> | 1 July 2015                 |

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## (c) New accounting standards and interpretations (continued)

| Reference                           | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Application date of standard* | Impact on Group financial report                                                                                                                                                                                     | Application date for Group* |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| AASB 13                             | <p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.</p>                                                                                                                                                                                                                                                                                                                                                                                                                             | 1 January 2013                | The Group will review the assets and liabilities requiring measurement at fair value. There will be no material financial impact on the Group however the Group may be required to increase its level of disclosure. | 1 July 2013                 |
| AASB 119                            | <p>The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.</p> <p>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.</p> <p>Consequential amendments were also made to other standards via AASB 2011-10.</p>                                                                                                                                                                                                                                                                                                                                                                              | 1 January 2013                | This revision will have no impact on how the Group measures its employee benefits.                                                                                                                                   | 1 July 2013                 |
| Annual Improvements 2009-2011 Cycle | <p>This standard sets out amendments to IFRSs and the related bases for conclusions and guidance made during the International Accounting Standards Boards Annual Improvements process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <p>IFRS 1 First-time Adoption of International Reporting Standards</p> <ul style="list-style-type: none"> <li>• Repeated application of IFRS 1</li> <li>• Borrowing costs</li> </ul> <p>IAS 1 Presentation of Financial Statements</p> <ul style="list-style-type: none"> <li>• Clarification of the requirements for comparative information</li> </ul> <p>IAS 16 Property, Plant and Equipment</p> <ul style="list-style-type: none"> <li>• Classification of servicing equipment</li> </ul> <p>IAS 32 Financial Instruments: Presentation</p> <ul style="list-style-type: none"> <li>• Tax effect of distribution to holders of equity instruments</li> </ul> <p>IAS 34 Interim Financial Reporting</p> <ul style="list-style-type: none"> <li>• Interim financial reporting and segment information for total assets and liabilities</li> </ul> | 1 January 2013                | The Group will review any amendments to the Standards when adopted by the AASB.                                                                                                                                      | 1 July 2013                 |



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## (c) New accounting standards and interpretations (continued)

| Reference                                                            | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Application date of standard* | Impact on Group financial report                                                                                                                                                                              | Application date for Group* |
|----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| AASB 1053<br>Application of Tiers of Australian Accounting Standards | <p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards</p> <p>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit entities in the private sector that have public accountability (as defined in this Standard)</p> <p>(b) The Australian Government and State, Territory and Local Governments</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit private sector entities that do not have public accountability</p> <p>(b) All not-for-profit private sector entities</p> <p>(c) Public sector entities other than the Australian Government and State, Territory and Local Governments</p> | 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. There will be no impact to the reporting requirements of the Group. | 1 July 2013                 |

\*designates the beginning of the applicable annual reporting period

AASB 2011-3, AASB 2011-4, AASB 2011-9, and Interpretation 20 will have no application to the Group.

**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2012****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, AIT and its subsidiaries, ASPT and its subsidiaries and ASOL and its subsidiaries collectively referred to as the Group.

Subsidiaries are all those entities over which the Group has power over the investee such that the Group is able to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns.

The adoption of AASB 10 has led to the consolidation of Abacus Hospitality Fund, Abacus Storage Fund (until merger in March 2012), Abacus Diversified Income Fund II and Abacus Miller Street Holding Trust. This is due to the combination of the Group's role as responsible entity and its exposure to available returns arising from its collective equity and loan investments in these funds and certain guarantees.

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 are allocated their share of net profit after tax in the consolidated income statement and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Non-controlling interests represent those equity interests in Abacus Hospitality Fund, Abacus Miller Street Holding Trust, Abacus Jigsaw Trust and Abacus Independent Retail Property Trust (and Abacus Storage Fund until the date of merger being 6 March 2012) that are not held by the Group and are presented separately in the income statement and within equity in the consolidated statement of financial position.

**(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 on translation of foreign operations 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.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2012

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(e) Foreign currency translation (continued)**

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 and Storage 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.

*Hotel Income*

Revenue from rooms is recognised and accrued on the provision of rooms or on the date of which rooms are to be provided in accordance with the terms and conditions of the bookings. Advance deposits from customers received are not recognised as revenue until such time when the rooms have been provided or when the customers forfeit the deposits due to failure of attendance.

*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.

Income from the sale of joint venture profit share rights is recognised when the Group enters into arrangements with other parties which result in the Group receiving consideration for the sale of its right to receive a profit share from the joint venture

*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.

**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2012****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(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 Statement of Cash Flow, 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.

**(j) Derivative financial instruments and hedging**

The Group utilises derivative financial instruments, both foreign exchange and interest rate swaps to manage the risk associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are recognised at fair value.

The Group has set defined policies and implemented hedging policies to manage interest and exchange rate risks. Derivative instruments are transacted in line with these policies to achieve the economic outcomes in line with the Group's treasury and hedging policy. They are not transacted for speculative purposes.

The Group does not employ hedge accounting and as such derivatives are recorded at fair value with gains or losses arising from the movement in fair values recorded in the income statement.

**(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 2012 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.

**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2012

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(k) Investments and other financial assets (continued)***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 \$27.9 million (2011: \$27.4 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.

**(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 arrangements**

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 operations that give the parties a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations.

**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2012****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(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

Buildings (Hotel) – 50 years

Plant and equipment – over 5 to 15 years

Plant and equipment (Hotel) over 3 to 20 years

***Impairment***

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property (including land and buildings), plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

Impairment losses are recognised in the income statement.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

***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.

***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.

**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2012****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(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 and property specific conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement 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 the income statement in the year of retirement or disposal.

Investment properties under construction are carried at fair value after allowing for the remaining expected costs of completion plus an appropriate risk adjusted development margin.

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.

Investment properties are independently valued on a staggered basis every two years unless the underlying financing requires a more frequent independent valuation cycle. 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.

## **NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2012

### **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.

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 2012

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(q) Goodwill and Intangibles (continued)***Intangible assets (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.

**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2012****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(u) Distributions and dividends**

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(q).

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

## **NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2012

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(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 consolidated income statement. Reversals of previously recognised impairment charges are recognised in the consolidated income statement such that the inventory is always carried at the lower of cost and net realisable value. Cost includes the purchase consideration, development costs and holding costs such as borrowing costs, rates and taxes.

##### *Hotel*

Inventories are valued 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 necessary to make the sale.

#### **(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.

##### *Trust income tax*

Under current Australian income tax legislation AT, AIT, ASPT, AHT, ADIFII and AMSHT are not 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, ASOL and its Australian resident wholly-owned subsidiaries and AHL and its Australian resident wholly-owned subsidiaries have formed separate tax consolidation groups. AGHL, ASOL and AHL have entered into tax funding agreements with their 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 tax entity and the controlled entities in each tax consolidated group continue to account for their own current and deferred tax amounts.

In addition to its own current and deferred tax amounts, the head tax entity 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 or payable under the tax funding agreements 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:

## **NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2012

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(za) Taxation (continued)**

##### *Company income tax (continued)*

- 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.

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.

##### *New Zealand*

The trusts that operate in New Zealand ("NZ") are treated as a company for NZ income tax purposes and are taxed at the corporate tax rate of 28% (2011: 30%). NZ income tax paid the Trusts can be claimed as foreign tax credits to offset against foreign income and distributable to security holders. NZ tax losses are carried forward provided the continuity test of ownership is satisfied. Interest expense from the Trusts are fully deductible subject to thin capitalisation considerations. Property revaluation gains or losses are to be excluded from taxable income, with no deferred tax implications as capital gains are not taxed in NZ.

Income derived by companies which are incorporated in Australia and registered in NZ as overseas companies is exempt from tax in Australia where the income has been taxed in NZ. This income is regarded as non-assessable non-exempt income. As such, income tax is calculated on the companies' NZ taxable income and taxed at the NZ corporate rate of 28% (2011: 30%).

## **NOTES TO THE FINANCIAL STATEMENTS**

**30 JUNE 2012**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(za) Taxation (continued)**

##### *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.

#### **(zc) Security based payment plans**

Executives of the Group may be granted share appreciation rights, which can only be settled in cash (cash-settled transactions). The cost of cash-settled transactions is initially measured at fair value at the grant date using a Monte Carlo Simulation based model, further details of which are given in Note 29. This fair value is expressed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date.

**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2012****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 of 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 and / or investment. 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;
- background of the owner (borrower) including previous investment track record;
- 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.

**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2012****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 2012, the Group had undrawn committed facilities of \$253.1 million and cash of \$54.1 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, diversification of lenders 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.

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

*Interest rate risk*

APG's exposure to the risk of changes in market interest rates relates primarily to APG's long-term bank debt obligations which are based on floating interest rates. APG's policy is to maintain a mix of floating exposure and fixed interest rate hedging with fixed rate cover highest in years 1 to 5.

Similar policies are employed for the funds consolidated by the Group (AHF, ADIF II and AMSHT).

The Group hedges to minimise interest rate risk by entering variable to fixed interest rate swaps which also helps deliver interest covenant compliance and positive carry (net rental income in excess of interest expense) on the property portfolio. Interest rate swaps have the economic effect of converting borrowings from variable rates to fixed rates. Under the interest rate swaps, the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to the agreed notional principal amounts. At 30 June 2012, after taking into account the effect of interest rate swaps, approximately 93.4% of the Group's drawn debt is subject to fixed rate hedges (2011: 67.8%). Hedge cover as a percentage of available facilities at 30 June 2012 is 69.9% (2011: 53.9%).

## **NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2012

### **3. FINANCIAL RISK MANAGEMENT(continued)**

#### **(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 swapped and fixed rate debt is disclosed in note 22.

#### **(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.

### **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.



**NOTES TO THE FINANCIAL STATEMENTS**

30 JUNE 2012

**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)****(i) Significant accounting judgments (continued)***Control and significant influence*

In determining whether the Group has control over an entity, the Group assess its exposure or rights to variable returns from its involvement with the entity and whether it has the ability to affect those returns through its power over the investee. The Group may have significant influence over an entity when it has the power to participate in the financial and operating policies decisions of the entity but is not in control or joint control of those policies.

**(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.

*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 and property, plant and equipment held at fair value*

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 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 and discount rates that reflect current market conditions and current or 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 the net realisable value is less than the carrying value of inventory, an impairment loss is recognised 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 \$27.9 million (2011: \$27.4 million).

**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2012****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:

- (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;
- (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; and
- (d) Storage: the segment is responsible for the investment in and ownership of self-storage facilities. This segment commenced in March 2012 following the merger of the Abacus Storage Fund with the Abacus Property Group.

Segment result includes transactions between operating segments which are then eliminated.

AASB 10 - in application of the standard the Group has consolidated the Abacus Hospitality Fund, Abacus Storage Fund (until the merger in March 2012), Abacus Diversified Income Fund II and the Abacus Miller Street Trust. The performances of these entities which are operated as externally managed investment schemes are reviewed separately to that of the performance of the Group's business segments.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 5. SEGMENT INFORMATION (continued)

|                                                                                | Core Segments   |                     |                      |               |                        | Non Core Segments |               |                |              | Unallocated/<br>Eliminations | Consolidated    |
|--------------------------------------------------------------------------------|-----------------|---------------------|----------------------|---------------|------------------------|-------------------|---------------|----------------|--------------|------------------------------|-----------------|
|                                                                                | Property        | Funds<br>Management | Property<br>Ventures | Storage*      | Total Core<br>Segments | AHF               | ASF           | ADIFII         | AMSHT        |                              |                 |
| Year ended 30 June 2012                                                        | \$'000          | \$'000              | \$'000               | \$'000        | \$'000                 | \$'000            | \$'000        | \$'000         | \$'000       | \$'000                       | \$'000          |
| <b>Revenue</b>                                                                 |                 |                     |                      |               |                        |                   |               |                |              |                              |                 |
| Rental income                                                                  | 76,485          | -                   | -                    | -             | <b>76,485</b>          | 1,337             | -             | 18,111         | 5,573        | -                            | <b>101,506</b>  |
| Storage income                                                                 | 1,864           | -                   | -                    | 17,013        | <b>18,877</b>          | -                 | 28,216        | -              | -            | -                            | <b>47,093</b>   |
| Hotel income                                                                   | 2,625           | -                   | -                    | -             | <b>2,625</b>           | 49,386            | -             | -              | -            | -                            | <b>52,011</b>   |
| Finance income                                                                 | 1,316           | -                   | 26,635               | -             | <b>27,951</b>          | -                 | -             | -              | -            | (1,316)                      | <b>26,635</b>   |
| Funds mangement income                                                         | -               | 19,503              | -                    | -             | <b>19,503</b>          | -                 | -             | -              | -            | (12,994)                     | <b>6,509</b>    |
| Net change in fair value of investment properties derecognised                 | 9,869           | -                   | -                    | -             | <b>9,869</b>           | -                 | -             | (413)          | -            | -                            | <b>9,456</b>    |
| Net change in fair value of investments and financial instruments derecognised | -               | 560                 | -                    | (50)          | <b>510</b>             | -                 | -             | -              | -            | (642)                        | <b>(132)</b>    |
| Share of profit from equity accounted investments                              | 4,806           | 2,069               | 82                   | -             | <b>6,957</b>           | -                 | -             | -              | -            | 422                          | <b>7,379</b>    |
| Other revenue                                                                  | 5               | 942                 | 6                    | -             | <b>953</b>             | -                 | 675           | -              | -            | (942)                        | <b>686</b>      |
| Other unallocated revenue                                                      |                 |                     |                      |               | <b>1,854</b>           | 341               | 63            | 50             | 54           |                              | <b>2,362</b>    |
| <b>Total consolidated revenue</b>                                              | <b>96,970</b>   | <b>23,074</b>       | <b>26,723</b>        | <b>16,963</b> | <b>165,584</b>         | <b>51,064</b>     | <b>28,954</b> | <b>17,748</b>  | <b>5,627</b> | <b>(15,472)</b>              | <b>253,505</b>  |
| <b>Property expenses and outgoings</b>                                         | <b>(16,237)</b> | <b>-</b>            | <b>-</b>             | <b>-</b>      | <b>(16,237)</b>        | <b>(342)</b>      | <b>14</b>     | <b>(1,485)</b> | <b>(826)</b> | <b>753</b>                   | <b>(18,123)</b> |
| Storage expenses                                                               | (753)           | -                   | -                    | (5,815)       | <b>(6,568)</b>         | -                 | (9,842)       | -              | -            | -                            | <b>(16,410)</b> |
| Hotel expenses                                                                 | (3,018)         | -                   | -                    | -             | <b>(3,018)</b>         | (36,992)          | -             | -              | -            | -                            | <b>(40,010)</b> |
| Depreciation, amortisation and impairment expense                              | (2,835)         | -                   | -                    | (116)         | <b>(2,951)</b>         | (4,134)           | (140)         | (388)          | (187)        | -                            | <b>(7,800)</b>  |
| Administrative and other expenses                                              | (9,124)         | (4,915)             | (5,489)              | (1,467)       | <b>(20,995)</b>        | (1,723)           | (1,226)       | (360)          | (362)        | (1,652)                      | <b>(26,318)</b> |
| <b>Segment result</b>                                                          | <b>65,003</b>   | <b>18,159</b>       | <b>21,234</b>        | <b>9,565</b>  | <b>115,815</b>         | <b>7,873</b>      | <b>17,760</b> | <b>15,515</b>  | <b>4,252</b> | <b>(16,371)</b>              | <b>144,844</b>  |

\* commenced in March 2012 following the merger of Abacus Storage Fund with Abacus Property Group

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 5. SEGMENT INFORMATION (continued)

|                                                                                              | Core Segments |                     |                      |         |                        | Non Core Segments |              |              |              | Unallocated/<br>Eliminations | Consolidated |
|----------------------------------------------------------------------------------------------|---------------|---------------------|----------------------|---------|------------------------|-------------------|--------------|--------------|--------------|------------------------------|--------------|
|                                                                                              | Property      | Funds<br>Management | Property<br>Ventures | Storage | Total Core<br>Segments | AHF               | ASF          | ADIFII       | AMSHT        |                              |              |
| Year ended 30 June 2012                                                                      | \$'000        | \$'000              | \$'000               | \$'000  | \$'000                 | \$'000            | \$'000       | \$'000       | \$'000       | \$'000                       | \$'000       |
| Impairment charge - related party                                                            |               |                     |                      |         | (3,507)                | -                 | -            | -            | -            | -                            | (3,507)      |
| Net change in fair value of investments<br>and financial instruments held at<br>balance date |               |                     |                      |         | (6,865)                | 4,317             | 1,603        | 9,750        | 423          | (12,707)                     | (3,479)      |
| Net change in fair value of derivatives                                                      |               |                     |                      |         | (35,205)               | (10,684)          | (2,998)      | (4,555)      | (873)        | -                            | (54,315)     |
| Finance costs*                                                                               |               |                     |                      |         | (43,860)               | (11,308)          | (11,698)     | (12,653)     | (4,317)      | 10,793                       | (73,043)     |
| Profit / (loss) before tax                                                                   |               |                     |                      |         | 26,378                 | (9,802)           | 4,667        | 8,057        | (515)        | (18,285)                     | 10,500       |
| Income tax benefit / (expense)                                                               |               |                     |                      |         | (1,185)                | 8                 | (890)        | (407)        | -            | -                            | (2,474)      |
| <b>Net profit / (loss) for the period</b>                                                    |               |                     |                      |         | <b>25,193</b>          | <b>(9,794)</b>    | <b>3,777</b> | <b>7,650</b> | <b>(515)</b> | <b>(18,285)</b>              | <b>8,026</b> |
| less non-controlling interest                                                                |               |                     |                      |         | (690)                  | 3,874             | (3,098)      | -            | 358          | -                            | 444          |
| <b>Net profit / (loss) for the period attributable to members of the Group</b>               |               |                     |                      |         | <b>24,503</b>          | <b>(5,920)</b>    | <b>679</b>   | <b>7,650</b> | <b>(157)</b> | <b>(18,285)</b>              | <b>8,470</b> |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 5. SEGMENT INFORMATION (continued)

|                                                                                | Core Segments  |                     |                      |                        | Non Core Segments |               |               |              | Unallocated/<br>Eliminations | Consolidated   |
|--------------------------------------------------------------------------------|----------------|---------------------|----------------------|------------------------|-------------------|---------------|---------------|--------------|------------------------------|----------------|
|                                                                                | Property       | Funds<br>Management | Property<br>Ventures | Total Core<br>Segments | AHF               | ASF           | ADIFII        | AMSHT        |                              |                |
| Year ended 30 June 2011                                                        | \$'000         | \$'000              | \$'000               | \$'000                 | \$'000            | \$'000        | \$'000        | \$'000       | \$'000                       | \$'000         |
| <b>Revenue</b>                                                                 |                |                     |                      |                        |                   |               |               |              |                              |                |
| Rental income                                                                  | 72,427         | -                   | -                    | 72,427                 | 1,284             | (231)         | 17,440        | 5,875        | -                            | 96,795         |
| Storage income                                                                 | 1,806          | -                   | -                    | 1,806                  | -                 | 40,066        | -             | -            | -                            | 41,872         |
| Hotel income                                                                   | 5,831          | -                   | -                    | 5,831                  | 57,580            | -             | -             | -            | (11,000)                     | 52,411         |
| Finance income                                                                 | 664            | -                   | 21,072               | 21,736                 | -                 | -             | -             | -            | (1,313)                      | 20,423         |
| Funds mangement income                                                         | 178            | 20,260              | -                    | 20,438                 | -                 | -             | -             | -            | (15,888)                     | 4,550          |
| Sale of inventory                                                              | 78,000         | -                   | -                    | 78,000                 | -                 | -             | -             | -            | -                            | 78,000         |
| Net change in fair value of investment properties derecognised                 | 1,271          | -                   | -                    | 1,271                  | 71                | 613           | -             | -            | -                            | 1,955          |
| Net change in fair value of investments and financial instruments derecognised | 1,410          | -                   | 1,603                | 3,013                  | 936               | 382           | 430           | -            | -                            | 4,761          |
| Share of profit from equity accounted investments                              | 5,496          | (1,211)             | (7,698)              | (3,413)                | -                 | -             | -             | -            | (2,608)                      | (6,021)        |
| Other revenue                                                                  | 3,916          | 243                 | -                    | 4,159                  | (15)              | -             | -             | -            | (1,465)                      | 2,679          |
| Other unallocated revenue                                                      |                |                     |                      | 1,527                  |                   |               |               |              | 619                          | 2,146          |
| <b>Total consolidated revenue</b>                                              | <b>170,999</b> | <b>19,292</b>       | <b>14,977</b>        | <b>206,795</b>         | <b>59,856</b>     | <b>40,830</b> | <b>17,870</b> | <b>5,875</b> | <b>(31,655)</b>              | <b>299,571</b> |
| <br>Property expenses and outgoings                                            | (13,531)       | -                   | -                    | (13,531)               | (443)             | 965           | (1,874)       | (814)        | 730                          | (14,967)       |
| Storage expenses                                                               | (754)          | -                   | -                    | (754)                  | -                 | (13,707)      | -             | -            | -                            | (14,461)       |
| Hotel expenses                                                                 | (5,034)        | -                   | -                    | (5,034)                | (35,193)          | -             | -             | -            | -                            | (40,227)       |
| Depreciation, amortisation and impairment \ expense                            | (3,129)        | -                   | -                    | (3,129)                | (4,483)           | (271)         | (131)         | (168)        | -                            | (8,182)        |
| Cost of inventory sales                                                        | (63,094)       | -                   | -                    | (63,094)               | -                 | -             | -             | -            | -                            | (63,094)       |
| Administrative and other expenses                                              | (9,257)        | (7,267)             | (3,976)              | (20,500)               | (1,733)           | (1,945)       | (741)         | (374)        | (528)                        | (25,821)       |
| Unallocated expenses                                                           |                |                     |                      | (1,525)                |                   |               |               |              | -                            | (1,525)        |
| <b>Segment result</b>                                                          | <b>76,200</b>  | <b>12,025</b>       | <b>11,001</b>        | <b>99,228</b>          | <b>18,004</b>     | <b>25,872</b> | <b>15,124</b> | <b>4,519</b> | <b>(31,453)</b>              | <b>131,294</b> |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 5. SEGMENT INFORMATION (continued)

|                                                                                           | Core Segments |                     |                      |                        | Non Core Segments |          |          |         | Unallocated/<br>Eliminations | Consolidated |
|-------------------------------------------------------------------------------------------|---------------|---------------------|----------------------|------------------------|-------------------|----------|----------|---------|------------------------------|--------------|
|                                                                                           | Property      | Funds<br>Management | Property<br>Ventures | Total Core<br>Segments | AHF               | ASF      | ADIFII   | AMSHT   |                              |              |
| Year ended 30 June 2011                                                                   | \$'000        | \$'000              | \$'000               | \$'000                 | \$'000            | \$'000   | \$'000   | \$'000  | \$'000                       | \$'000       |
| Impairment charge - related party                                                         |               |                     |                      | (16,000)               | -                 | -        | -        | -       | 16,000                       | -            |
| Net change in fair value of investments and<br>financial instruments held at balance date |               |                     |                      | (22,443)               | 335               | 16,477   | (3,124)  | 973     | 199                          | (7,583)      |
| Net change in fair value of derivatives                                                   |               |                     |                      | (8,458)                | 254               | (1,341)  | 1,322    | 398     | 6,000                        | (1,825)      |
| Finance costs                                                                             |               |                     |                      | (33,912)               | (10,555)          | (17,309) | (14,657) | (4,302) | 13,517                       | (67,218)     |
| Profit / (loss) before tax                                                                |               |                     |                      | 18,415                 | 8,038             | 23,699   | (1,335)  | 1,588   | 4,263                        | 54,668       |
| Income tax (expense) / benefit                                                            |               |                     |                      | (571)                  | 733               | (3,327)  | (302)    | -       | -                            | (3,467)      |
| <b>Net profit / (loss) for the period</b>                                                 |               |                     |                      | 17,844                 | 8,771             | 20,372   | (1,637)  | 1,588   | 4,263                        | 51,201       |
| less non-controlling interest                                                             |               |                     |                      | (494)                  | (6,577)           | (15,605) | -        | (1,156) | 1,218                        | (22,614)     |
| <b>Net profit / (loss) for the period attributable to members of the Group</b>            |               |                     |                      | 17,350                 | 2,194             | 4,767    | (1,637)  | 432     | 5,481                        | 28,587       |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 5. SEGMENT INFORMATION (continued)

|                                     | Core Segments  |                  |                   |                |                     | Non Core Segments |                |                |               |                  | Consolidated     |
|-------------------------------------|----------------|------------------|-------------------|----------------|---------------------|-------------------|----------------|----------------|---------------|------------------|------------------|
|                                     | Property       | Funds Management | Property Ventures | Storage        | Total Core Segments | Unallocated       | AHF            | ADIFII         | AMSH          | Eliminations     |                  |
| Year ended 30 June 2012             | \$'000         | \$'000           | \$'000            | \$'000         | \$'000              | \$'000            | \$'000         | \$'000         | \$'000        | \$'000           | \$'000           |
| <b>Current assets</b>               |                |                  |                   |                |                     |                   |                |                |               |                  |                  |
| Cash and cash equivalents           | -              | -                | -                 | -              | -                   | 43,115            | 9,990          | 226            | 798           | -                | 54,129           |
| Trade and other receivables         | -              | -                | -                 | -              | -                   | 7,959             | 3,237          | 1,058          | (336)         | -                | 11,918           |
| Investment properties held for sale | 106,951        | -                | -                 | -              | 106,951             | -                 | 13,250         | 7,820          | 62,800        | -                | 190,821          |
| Inventory                           | 26,045         | -                | -                 | -              | 26,045              | -                 | 434            | -              | -             | -                | 26,479           |
| Property loans                      | -              | -                | 19,098            | -              | 19,098              | -                 | -              | -              | -             | -                | 19,098           |
| Other financial assets              | -              | -                | 169               | -              | 169                 | -                 | -              | 7,884          | -             | -                | 8,053            |
| Other                               | -              | -                | -                 | -              | -                   | 2,267             | 415            | 219            | 103           | -                | 3,004            |
| <b>Total current assets</b>         | <b>132,996</b> | <b>-</b>         | <b>19,267</b>     | <b>-</b>       | <b>152,263</b>      | <b>53,341</b>     | <b>27,326</b>  | <b>17,207</b>  | <b>63,365</b> | <b>-</b>         | <b>313,502</b>   |
| <b>Non-current assets</b>           |                |                  |                   |                |                     |                   |                |                |               |                  |                  |
| Investment properties               | 671,992        | -                | -                 | 338,766        | 1,010,758           | -                 | -              | 170,445        | -             | -                | 1,181,203        |
| Inventory                           | 25,310         | -                | 75,664            | -              | 100,974             | -                 | -              | -              | -             | -                | 100,974          |
| Property, plant and equipment       | 4,889          | -                | -                 | 720            | 5,609               | -                 | 148,456        | -              | -             | -                | 154,065          |
| Property loans                      | 19,035         | 148,669          | 121,298           | -              | 289,002             | -                 | -              | -              | -             | (134,244)        | 154,758          |
| Other financial assets              | -              | 48,000           | 24,671            | -              | 72,671              | -                 | -              | -              | -             | (48,182)         | 24,489           |
| Equity accounted investments        | 111,340        | 9,784            | 8,034             | -              | 129,158             | -                 | -              | -              | -             | (7,325)          | 121,833          |
| Deferred tax assets                 | -              | -                | -                 | -              | -                   | 12,569            | 3,734          | 17             | -             | -                | 16,320           |
| Intangible assets and goodwill      | 1,000          | -                | -                 | -              | 1,000               | 32,461            | -              | -              | -             | -                | 33,461           |
| Trade and other receivables         | -              | -                | 6,212             | -              | 6,212               | -                 | -              | -              | -             | -                | 6,212            |
| <b>Total non-current assets</b>     | <b>833,566</b> | <b>206,453</b>   | <b>235,879</b>    | <b>339,486</b> | <b>1,615,384</b>    | <b>45,030</b>     | <b>152,190</b> | <b>170,462</b> | <b>-</b>      | <b>(189,751)</b> | <b>1,793,315</b> |
| <b>Total assets</b>                 | <b>966,562</b> | <b>206,453</b>   | <b>255,146</b>    | <b>339,486</b> | <b>1,767,647</b>    | <b>98,371</b>     | <b>179,516</b> | <b>187,669</b> | <b>63,365</b> | <b>(189,751)</b> | <b>2,106,817</b> |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 5. SEGMENT INFORMATION (continued)

|                                       | Core Segments  |                  |                   |                |                     | Non Core Segments |                 |                |               |                  | Consolidated     |
|---------------------------------------|----------------|------------------|-------------------|----------------|---------------------|-------------------|-----------------|----------------|---------------|------------------|------------------|
|                                       | Property       | Funds Management | Property Ventures | Storage        | Total Core Segments | Unallocated       | AHF             | ADIFII         | AMSHT         | Eliminations     |                  |
| Year ended 30 June 2012               | \$'000         | \$'000           | \$'000            | \$'000         | \$'000              | \$'000            | \$'000          | \$'000         | \$'000        | \$'000           | \$'000           |
| <b>Current liabilities</b>            |                |                  |                   |                |                     |                   |                 |                |               |                  |                  |
| Trade and other payables              | 7,372          | 3,324            | 4,432             | 4,881          | 20,009              | -                 | 6,895           | 2,694          | 828           | -                | 30,426           |
| Interest-bearing loans and borrowings | -              | -                | -                 | -              | -                   | 29,950            | -               | -              | -             | -                | 29,950           |
| Income tax payable                    | -              | -                | -                 | -              | -                   | 604               | -               | 32             | -             | -                | 636              |
| Other                                 | 1,353          | 398              | 530               | 530            | 2,811               | -                 | 566             | 1,139          | -             | -                | 4,516            |
| <b>Total current liabilities</b>      | <b>8,725</b>   | <b>3,722</b>     | <b>4,962</b>      | <b>5,411</b>   | <b>22,820</b>       | <b>30,554</b>     | <b>7,461</b>    | <b>3,865</b>   | <b>828</b>    | <b>-</b>         | <b>65,528</b>    |
| <b>Non-current liabilities</b>        |                |                  |                   |                |                     |                   |                 |                |               |                  |                  |
| Trade and other payables              | 2,600          | -                | 10,125            | -              | 12,725              | -                 | -               | -              | -             | -                | 12,725           |
| Interest-bearing loans and borrowings | -              | -                | -                 | -              | -                   | 560,330           | 166,969         | 170,190        | 53,016        | (178,245)        | 772,260          |
| Derivatives at fair value             | -              | -                | -                 | -              | -                   | 53,286            | 16,709          | 7,914          | 1,843         | -                | 79,752           |
| Deferred tax liabilities              | -              | -                | -                 | -              | -                   | 5,229             | 229             | 4,725          | -             | -                | 10,183           |
| Other financial liabilities           | -              | 10,000           | -                 | -              | 10,000              | -                 | -               | -              | -             | 46,250           | 56,250           |
| Other                                 | 544            | 181              | 242               | 242            | 1,209               | -                 | 1,018           | -              | -             | -                | 2,227            |
| <b>Total non-current liabilities</b>  | <b>3,144</b>   | <b>10,181</b>    | <b>10,367</b>     | <b>242</b>     | <b>23,934</b>       | <b>618,845</b>    | <b>184,925</b>  | <b>182,829</b> | <b>54,859</b> | <b>(131,995)</b> | <b>933,397</b>   |
| <b>Total liabilities</b>              | <b>11,869</b>  | <b>13,903</b>    | <b>15,329</b>     | <b>5,653</b>   | <b>46,754</b>       | <b>649,399</b>    | <b>192,386</b>  | <b>186,694</b> | <b>55,687</b> | <b>(131,995)</b> | <b>998,925</b>   |
| <b>Net assets</b>                     | <b>954,693</b> | <b>192,550</b>   | <b>239,817</b>    | <b>333,833</b> | <b>1,720,893</b>    | <b>(551,028)</b>  | <b>(12,870)</b> | <b>975</b>     | <b>7,678</b>  | <b>(57,756)</b>  | <b>1,107,892</b> |



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 5. SEGMENT INFORMATION (continued)

|                                     | Core Segments |                     |                      |                        |             | Non Core Segments |         |         |        |              |              |
|-------------------------------------|---------------|---------------------|----------------------|------------------------|-------------|-------------------|---------|---------|--------|--------------|--------------|
|                                     | Property      | Funds<br>Management | Property<br>Ventures | Total Core<br>Segments | Unallocated | AHF               | ASF     | ADIFII  | AMSHT  | Eliminations | Consolidated |
| Year ended 30 Jun 2011              | \$'000        | \$'000              | \$'000               | \$'000                 | \$'000      | \$'000            | \$'000  | \$'000  | \$'000 | \$'000       | \$'000       |
| Current assets                      |               |                     |                      |                        |             |                   |         |         |        |              |              |
| Cash and cash equivalents           | -             | -                   | -                    | -                      | 47,106      | 9,407             | 3,982   | 1,866   | 2,287  | -            | 64,648       |
| Trade and other receivables         | -             | -                   | -                    | -                      | 11,157      | 2,099             | 2,175   | 272     | 122    | (241)        | 15,584       |
| Investment properties held for sale | 91,131        | -                   | -                    | 91,131                 | -           | -                 | -       | -       | -      | -            | 91,131       |
| Inventory                           | 22,882        | -                   | -                    | 22,882                 | -           | 500               | -       | -       | -      | -            | 23,382       |
| Property loans                      | -             | -                   | 19,324               | 19,324                 | -           | -                 | -       | -       | -      | -            | 19,324       |
| Other financial assets              | -             | -                   | 959                  | 959                    | -           | -                 | -       | -       | -      | -            | 959          |
| Other                               | -             | -                   | -                    | -                      | 3,260       | 279               | 233     | 248     | 94     | -            | 4,114        |
| Total current assets                | 114,013       | -                   | 20,283               | 134,296                | 61,523      | 12,285            | 6,390   | 2,386   | 2,503  | (241)        | 219,142      |
| Non-current assets                  |               |                     |                      |                        |             |                   |         |         |        |              |              |
| Investment properties               | 753,127       | -                   | -                    | 753,127                | -           | 12,500            | 331,133 | 178,570 | 62,800 | -            | 1,338,130    |
| Inventory                           | 23,107        | -                   | 34,488               | 57,595                 | -           | -                 | -       | -       | -      | -            | 57,595       |
| Property, plant and equipment       | 19,341        | -                   | -                    | 19,341                 | -           | 143,087           | 810     | -       | -      | -            | 163,238      |
| Property loans                      | 20,757        | 149,466             | 151,614              | 321,837                | -           | -                 | -       | -       | -      | (167,944)    | 153,893      |
| Other financial assets              | -             | 48,000              | 24,976               | 72,976                 | -           | -                 | -       | 7,381   | -      | (48,180)     | 32,177       |
| Equity accounted investments        | 67,101        | 27,528              | 32,658               | 127,287                | -           | -                 | -       | -       | -      | (28,092)     | 99,195       |
| Deferred tax assets                 | -             | -                   | -                    | -                      | 12,481      | 3,319             | 170     | -       | 8      | -            | 15,978       |
| Intangible assets and goodwill      | 2,712         | -                   | -                    | 2,712                  | 32,461      | -                 | -       | -       | -      | -            | 35,173       |
| Trade and other receivables         | -             | -                   | 6,000                | 6,000                  | -           | -                 | -       | -       | -      | -            | 6,000        |
| Total non-current assets            | 886,145       | 224,994             | 249,736              | 1,360,875              | 44,942      | 158,906           | 332,113 | 185,951 | 62,808 | (244,216)    | 1,901,379    |
|                                     |               |                     |                      |                        |             |                   |         |         |        |              |              |
| Total assets                        | 1,000,158     | 224,994             | 270,019              | 1,495,171              | 106,465     | 171,191           | 338,503 | 188,337 | 65,311 | (244,457)    | 2,120,521    |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 5. SEGMENT INFORMATION (continued)

|                                       | Core Segments  |                  |                   |                     | Unallocated      | Non Core Segments |                |                |               |                  | Consolidated     |
|---------------------------------------|----------------|------------------|-------------------|---------------------|------------------|-------------------|----------------|----------------|---------------|------------------|------------------|
|                                       | Property       | Funds Management | Property Ventures | Total Core Segments |                  | AHF               | ASF            | ADIFII         | AMSHT         | Eliminations     |                  |
| Year ended 30 Jun 2011                | \$'000         | \$'000           | \$'000            | \$'000              | \$'000           | \$'000            | \$'000         | \$'000         | \$'000        | \$'000           | \$'000           |
| <b>Current liabilities</b>            |                |                  |                   |                     |                  |                   |                |                |               |                  |                  |
| Trade and other payables              | 4,106          | 5,955            | 3,403             | 13,464              | -                | 6,534             | 7,474          | 2,669          | 610           | (242)            | 30,509           |
| Interest-bearing loans and borrowings | -              | -                | -                 | -                   | 13,450           | -                 | -              | -              | 33,916        | -                | 47,366           |
| Income tax payable                    | -              | -                | -                 | -                   | -                | -                 | 424            | 142            | -             | -                | 566              |
| Other                                 | 411            | 198              | 113               | 722                 | 2,289            | 556               | -              | -              | -             | -                | 3,567            |
| <b>Total current liabilities</b>      | <b>4,517</b>   | <b>6,153</b>     | <b>3,516</b>      | <b>14,186</b>       | <b>15,739</b>    | <b>7,090</b>      | <b>7,898</b>   | <b>2,811</b>   | <b>34,526</b> | <b>(242)</b>     | <b>82,008</b>    |
| <b>Non-current liabilities</b>        |                |                  |                   |                     |                  |                   |                |                |               |                  |                  |
| Trade and other payables              | 3,567          | -                | 10,008            | 13,575              | -                | -                 | -              | -              | -             | -                | 13,575           |
| Interest-bearing loans and borrowings | -              | -                | -                 | -                   | 433,115          | 162,944           | 209,658        | 186,337        | 20,757        | (220,943)        | 791,868          |
| Derivatives at fair value             | -              | -                | -                 | -                   | 17,360           | 6,024             | 931            | 3,359          | 970           | -                | 28,644           |
| Deferred tax liabilities              | -              | -                | -                 | -                   | -                | 331               | 3,991          | 4,478          | -             | -                | 8,800            |
| Other financial liabilities           | -              | 10,000           | -                 | 10,000              | -                | -                 | -              | -              | -             | 39,902           | 49,902           |
| Other                                 | 3,770          | 366              | 210               | 4,346               | -                | 968               | -              | -              | -             | -                | 5,314            |
| <b>Total non-current liabilities</b>  | <b>7,337</b>   | <b>10,366</b>    | <b>10,218</b>     | <b>27,921</b>       | <b>450,475</b>   | <b>170,267</b>    | <b>214,580</b> | <b>194,174</b> | <b>21,727</b> | <b>(181,041)</b> | <b>898,103</b>   |
| <b>Total liabilities</b>              | <b>11,854</b>  | <b>16,519</b>    | <b>13,734</b>     | <b>42,107</b>       | <b>466,214</b>   | <b>177,357</b>    | <b>222,478</b> | <b>196,985</b> | <b>56,253</b> | <b>(181,283)</b> | <b>980,111</b>   |
| <b>Net assets</b>                     | <b>988,304</b> | <b>208,475</b>   | <b>256,285</b>    | <b>1,453,064</b>    | <b>(359,749)</b> | <b>(6,166)</b>    | <b>116,025</b> | <b>(8,648)</b> | <b>9,058</b>  | <b>(63,174)</b>  | <b>1,140,410</b> |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 6. REVENUE

|                                                                                             | 2012          | 2011          |
|---------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                             | \$'000        | \$'000        |
| <b>(a) Finance income</b>                                                                   |               |               |
| Interest and fee income on secured loans                                                    | 15,635        | 20,423        |
| Sale of joint venture profit share rights                                                   | 11,000        | -             |
| Bank interest                                                                               | 2,362         | 2,146         |
| <b>Total finance income</b>                                                                 | <b>28,997</b> | <b>22,569</b> |
| <b>(b) Funds Management Income</b>                                                          |               |               |
| Asset / property management fees                                                            | 3,002         | 1,619         |
| Interest on loans to funds management entities                                              | 3,507         | 2,931         |
| <b>Total funds management income</b>                                                        | <b>6,509</b>  | <b>4,550</b>  |
| <b>(c) Net change in fair value of investments and financial instruments derecognised</b>   |               |               |
| Net change in fair value of financial instruments derecognised                              | (50)          | 3,770         |
| Net change in fair value of other investments derecognised                                  | (82)          | 991           |
| <b>Total net change in fair value of investments and financial instruments derecognised</b> | <b>(132)</b>  | <b>4,761</b>  |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 7. EXPENSES

|                                                                         | 2012          | 2011          |
|-------------------------------------------------------------------------|---------------|---------------|
|                                                                         | \$'000        | \$'000        |
| <b>(a) Depreciation, amortisation and impairment expense</b>            |               |               |
| Depreciation of property, plant and equipment                           | 4,701         | 5,351         |
| Net loss on property, plant and equipment remeasured at fair value      | 688           | 1,028         |
| Amortisation of software                                                | 27            | 23            |
| Impairment of intangible assets                                         | 12            | -             |
| Amortisation - leasing costs                                            | 2,372         | 1,780         |
| <b>Total depreciation, amortisation and impairment expense</b>          | <b>7,800</b>  | <b>8,182</b>  |
| <b>(b) Net change in fair value of investments held at balance date</b> |               |               |
| Net change in fair value of property securities held at balance date    | 280           | 86            |
| Net change in fair value of options held at balance date                | (503)         | 15,593        |
| Net change in fair value of other investments held at balance date      | 1,467         | -             |
| <b>Total change in fair value of investments held at balance date</b>   | <b>1,244</b>  | <b>15,679</b> |
| <b>(c) Finance costs</b>                                                |               |               |
| Interest on loans                                                       | 66,229        | 61,495        |
| Amortisation of finance costs                                           | 4,756         | 5,383         |
| Finance costs incurred in the merger with Abacus Storage Fund           | 2,058         | -             |
| <b>Total finance costs</b>                                              | <b>73,043</b> | <b>66,878</b> |
| <b>(d) Administrative and other expenses</b>                            |               |               |
| Wages and salaries                                                      | 11,363        | 11,630        |
| Contributions to defined contribution plans                             | 753           | 1,012         |
| Other expenses                                                          | 14,202        | 14,704        |
| <b>Total administrative and other expenses</b>                          | <b>26,318</b> | <b>27,346</b> |

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 8. INCOME TAX

|                                                                | 2012         | 2011         |
|----------------------------------------------------------------|--------------|--------------|
|                                                                | \$'000       | \$'000       |
| <b>(a) Income tax expense</b>                                  |              |              |
| The major components of income tax expense are:                |              |              |
| <b>Income Statement</b>                                        |              |              |
| <i>Current income tax</i>                                      |              |              |
| Current income tax charge                                      | 1,831        | 3,130        |
| Adjustments in respect of current income tax of previous years | (123)        | (1,061)      |
| <i>Deferred income tax</i>                                     |              |              |
| Movement in depreciable assets tax depreciation                | 201          | (187)        |
| Relating to origination and reversal of temporary differences  | 565          | 1,585        |
| <b>Income tax expense reported in the income statement</b>     | <b>2,474</b> | <b>3,467</b> |

**(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                                        | 10,500       | 54,668       |
| Prima facie income tax expense calculated at 30%                        | 2,743        | 16,400       |
| Prima facie income tax expense calculated at 28%                        | 380          | -            |
| Less prima facie income tax expense on profit from Trusts               | (1,541)      | (12,595)     |
| Prima Facie income tax of entities subject to income tax                | 1,582        | 3,805        |
| Entertainment                                                           | 21           | 18           |
| Foreign exchange translation adjustments                                | (51)         | -            |
| Impairment of property, plant and equipment                             | -            | 311          |
| Adjustment of prior year tax applied                                    | (123)        | (1,061)      |
| Derecognition of deferred tax assets                                    | 857          | (69)         |
| Other items (net)                                                       | 188          | 463          |
| <b>Income tax expense</b>                                               | <b>2,474</b> | <b>3,467</b> |
| <b>Income tax expense reported in the consolidated income statement</b> | <b>2,474</b> | <b>3,467</b> |

The Group has capital tax losses for which no deferred tax asset is recognised on the balance sheet of gross \$6.82 million (2011: \$6.46 million), which are available indefinitely for offset against future gains subject to continuing to meet relevant statutory tests.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 8. INCOME TAX (continued)

|                                                               | 2012          | 2011          |
|---------------------------------------------------------------|---------------|---------------|
|                                                               | \$'000        | \$'000        |
| <b>(c) Recognised deferred tax assets and liabilities</b>     |               |               |
| Deferred income tax at 30 June 2012 relates to the following: |               |               |
| <b>Deferred tax liabilities</b>                               |               |               |
| Revaluation of investment properties at fair value            | 7,317         | 6,506         |
| Revaluation of financial instruments at fair value            | 2,123         | 1,972         |
| Revaluation of property, plant and equipment                  | 229           | -             |
| Reset of tax cost bases                                       | 1,048         | 1,048         |
| Other                                                         | 871           | 1,052         |
| <b>Gross deferred income tax liabilities</b>                  | <b>11,588</b> | <b>10,578</b> |
| Set off of deferred tax assets                                | (1,405)       | (1,778)       |
| <b>Net deferred income tax liabilities</b>                    | <b>10,183</b> | <b>8,800</b>  |
| <b>Deferred tax assets</b>                                    |               |               |
| Revaluation of financial instruments at fair value            | 5,355         | 4,773         |
| Provisions - other                                            | 5,387         | 5,543         |
| Provisions - employee entitlements                            | 1,028         | 941           |
| Losses available for offset against future taxable income     | 5,791         | 6,066         |
| Other                                                         | 164           | 426           |
| <b>Gross deferred income tax assets</b>                       | <b>17,725</b> | <b>17,749</b> |
| Set off of deferred tax assets                                | (1,405)       | (1,771)       |
| <b>Net deferred income tax assets</b>                         | <b>16,320</b> | <b>15,978</b> |

## Unrecognised temporary differences

At 30 June 2012, the Group has unrecognised deferred tax assets on capital account in relation to the fair value of investments (\$0.9 million gross) and fair value of investment properties (\$3.8 million gross) (2011: \$6.0 million).

## Tax consolidation

AGHL and its 100% owned Australian resident subsidiaries, ASOL and its 100% owned Australian resident subsidiaries and AHL and its 100% owned Australian resident subsidiaries have formed separate tax consolidated groups. AGHL, ASOL and AHL are the head entity of their respective tax consolidated groups. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The current and deferred tax amounts are measured in a manner that is consistent with the broad principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further below.

### Nature of the tax funding agreement

Members of the respective tax consolidated groups have entered into tax funding agreements. The tax funding agreements require 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 agreements 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 9. DISTRIBUTIONS PAID AND PROPOSED

|                                                                        | 2012          | 2011          |
|------------------------------------------------------------------------|---------------|---------------|
|                                                                        | \$'000        | \$'000        |
| <b>ABP Group</b>                                                       |               |               |
| <b>(a) Distributions paid during the year</b>                          |               |               |
| June 2011 half: 8.25 cents per stapled security (2010: 8.25 cents)     | 31,217        | 29,842        |
| December 2011 half: 8.25 cents per stapled security (2010: 8.25 cents) | 31,963        | 30,592        |
|                                                                        | <b>63,180</b> | <b>60,434</b> |
| <b>(b) Distributions proposed and not recognised as a liability*</b>   |               |               |
| June 2012 half: 8.25 cents per stapled security (2011: 8.25 cents)     | <b>35,886</b> | <b>31,225</b> |

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 2 July 2012. The distribution being paid on or about 15 August 2012 will be approximately \$35.9 million. No provision for the distribution has been recognised in the balance sheet at 30 June 2012 as the distribution had not been declared by the end of the year.

|                                                                         | 2012         | 2011         |
|-------------------------------------------------------------------------|--------------|--------------|
|                                                                         | \$'000       | \$'000       |
| <b>Abacus Hospitality Fund</b>                                          |              |              |
| <b>(a) Distributions paid during the year</b>                           |              |              |
| June 2011 quarter: 1.125 cents per security (2010: 2.0625 cents)        | 551          | 1,011        |
| September 2011 quarter: 1.125 cents per security (2010: 2.0625 cents)   | 551          | 1,011        |
| December 2011 quarter: 1.125 cents per security (2010: 2.625 cents)     | 551          | 1,011        |
| March 2012 quarter: 1.125 cents per security (2011: 1.125 cents)        | 551          | 553          |
|                                                                         | <b>2,204</b> | <b>3,586</b> |
| <b>(b) Distributions proposed and recognised as a liability</b>         |              |              |
| June 2012 quarter: 1.125 cents per stapled security (2011: 1.125 cents) | <b>551</b>   | <b>533</b>   |

|                                                                        | 2012         | 2011         |
|------------------------------------------------------------------------|--------------|--------------|
|                                                                        | \$'000       | \$'000       |
| <b>Abacus Storage Fund (pre merger)</b>                                |              |              |
| <b>(a) Distributions paid during the year</b>                          |              |              |
| June 2011 quarter: 2.1875 cents per security (2010: 2.1875 cents)      | 1,909        | 1,907        |
| September 2011 quarter: 2.1875 cents per security (2010: 2.1875 cents) | 1,910        | 1,907        |
| December 2011 quarter: 2.1875 cents per security (2010: 2.1875 cents)  | 1,910        | 1,908        |
| March 2012 quarter: Nil (2011: 2.1875 cents)                           | -            | 1,909        |
|                                                                        | <b>5,729</b> | <b>7,631</b> |
| <b>(b) Distributions proposed and recognised as a liability</b>        |              |              |
| June 2012 quarter: Nil (2011: 2.1875 cents)                            | -            | <b>1,909</b> |
| <b>(c) Dividends paid during the year</b>                              |              |              |
| February 2012: 8.7 cents per share* (2011: Nil)                        | <b>6,080</b> | -            |

\* A merger capital distribution of 5.3 cents was also paid by Abacus Storage Property Trust.





# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 9. DISTRIBUTIONS PAID AND PROPOSED (continued)

|                                                                                       | 2012          | 2011          |
|---------------------------------------------------------------------------------------|---------------|---------------|
| ABP Group                                                                             | \$'000        | \$'000        |
| <b>(c) Franking credit balance</b>                                                    |               |               |
| 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% (2011: 30%) | 10,396        | 10,396        |
| Merger of Abacus Storage Operations Limited                                           | 1,693         | -             |
|                                                                                       | <b>12,089</b> | <b>10,396</b> |

## 10. EARNINGS PER STAPLED SECURITY

|                                                                                     | 2012         | 2011          |
|-------------------------------------------------------------------------------------|--------------|---------------|
|                                                                                     | \$'000       | \$'000        |
| Basic and diluted earnings per stapled security (cents)                             | 2.11         | 7.68          |
| <b>Reconciliation of earnings used in calculating earnings per stapled security</b> |              |               |
| <i>Basic and diluted earnings per stapled security</i>                              |              |               |
| <b>Net profit</b>                                                                   | <b>8,470</b> | <b>28,587</b> |
| <b>Weighted average number of shares:</b>                                           |              |               |
| Weighted average number of stapled securities for basic earning per security        | 400,921      | 372,327       |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 11. CASH AND CASH EQUIVALENTS

|                                                                                                                | 2012   | 2011   |
|----------------------------------------------------------------------------------------------------------------|--------|--------|
|                                                                                                                | \$'000 | \$'000 |
| <b>Reconciliation to Cash Flow Statement</b>                                                                   |        |        |
| For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June 2012: |        |        |
| Cash at bank and in hand <sup>(i)</sup>                                                                        | 54,129 | 64,648 |

(i) Cash at bank earns interest at floating rates. The carrying accounts of cash and cash equivalents represent fair value.

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

|                                                                                |               |                |
|--------------------------------------------------------------------------------|---------------|----------------|
| Net profit                                                                     | 8,026         | 51,541         |
| <b>Adjustments for:</b>                                                        |               |                |
| Depreciation and amortisation of non-current assets                            | 7,800         | 8,182          |
| Provision for doubtful debts                                                   | 348           | 5,000          |
| Diminution of inventory                                                        | 1,500         | -              |
| Restructuring charge - related parties                                         | 3,507         | -              |
| Net change in fair value of derivatives                                        | 54,315        | 1,825          |
| Net change in fair value of investment properties held at balance date         | 2,235         | (8,096)        |
| Net change in fair value of investments held at balance date                   | 1,244         | 15,679         |
| Net change in fair value of investment properties derecognised                 | (9,456)       | (1,955)        |
| Net change in fair value of investments and financial instruments derecognised | (132)         | (4,761)        |
| Increase/(decrease) in payables                                                | (2,518)       | 50,843         |
| Decrease/(increase) in receivables and other assets                            | 19,381        | 27,901         |
| <b>Net cash from operating activities</b>                                      | <b>86,250</b> | <b>146,159</b> |

### (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 18.9 million stapled securities were issued with a cash equivalent of \$36.2 million.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 12. TRADE AND OTHER RECEIVABLES

|                                   | 2012          | 2011          |
|-----------------------------------|---------------|---------------|
|                                   | \$'000        | \$'000        |
| <b>(a) Current</b>                |               |               |
| Trade debtors                     | 935           | 3,471         |
| Other debtors                     | 13,549        | 13,129        |
| Gross receivables                 | 14,484        | 16,600        |
| Less provision for doubtful debts | (2,566)       | (1,017)       |
| <b>Net current receivables</b>    | <b>11,918</b> | <b>15,583</b> |
| <b>(b) Non-current</b>            |               |               |
| Other debtors                     | 6,212         | 6,000         |
| <b>Non-current receivables</b>    | <b>6,212</b>  | <b>6,000</b>  |

## 13. PROPERTY LOANS AND OTHER FINANCIAL ASSETS

|                                                       | 2012           | 2011           |
|-------------------------------------------------------|----------------|----------------|
|                                                       | \$'000         | \$'000         |
| <b>(a) Current property loans</b>                     |                |                |
| Secured loans - amortised cost <sup>(i)</sup>         | 17,713         | 17,794         |
| Interest receivable on secured loans - amortised cost | 1,385          | 1,530          |
|                                                       | <b>19,098</b>  | <b>19,324</b>  |
| <b>(b) Current other financial assets</b>             |                |                |
| Investments in securities - listed - fair value       | 168            | 959            |
| Other financial assets - fair value <sup>(ii)</sup>   | 7,885          | -              |
|                                                       | <b>8,053</b>   | <b>959</b>     |
| <b>(c) Non-current property loans</b>                 |                |                |
| Secured loans - amortised cost <sup>(i)</sup>         | 137,938        | 129,797        |
| Interest receivable on secured loans - amortised cost | 16,820         | 24,096         |
|                                                       | <b>154,758</b> | <b>153,893</b> |
| <b>(d) Non-current other financial assets</b>         |                |                |
| Investments in securities - unlisted - fair value     | 4,489          | 4,796          |
| Other financial assets - fair value <sup>(ii)</sup>   | 20,000         | 27,381         |
|                                                       | <b>24,489</b>  | <b>32,177</b>  |

- (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 2013 and the non-current facilities will mature between 1 July 2013 and 24 December 2018. An amount of \$33.1 million (30 June 2011: \$31.8 million) is a loan to Abacus Wodonga Land Fund, a related party.
- (ii) Abacus 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 period, the maximum exposure to credit risk in relation to these instruments was \$27.9 million (30 June 2011 \$27.4 million).

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 14. PROPERTY, PLANT AND EQUIPMENT

|                                                    | 2012           | 2011           |
|----------------------------------------------------|----------------|----------------|
|                                                    | \$'000         | \$'000         |
| <b>Land and buildings</b>                          |                |                |
| At 1 July, net of accumulated depreciation         | 144,999        | 161,709        |
| Additions                                          | 205            | 561            |
| Disposals                                          | (13,663)       | (9,688)        |
| Revaluations                                       | 7,452          | (3,275)        |
| Effect of movements in foreign exchange            | 444            | (2,034)        |
| Depreciation charge for the year                   | (1,025)        | (2,274)        |
| <b>At 30 June, net of accumulated depreciation</b> | <b>138,412</b> | <b>144,999</b> |
| Fair value                                         | 150,653        | 156,237        |
| Accumulated depreciation                           | (12,241)       | (11,238)       |
| <b>Net carrying amount at end of year</b>          | <b>138,412</b> | <b>144,999</b> |
| <b>Plant and equipment</b>                         |                |                |
| At 1 July, net of accumulated depreciation         | 18,239         | 18,471         |
| Additions                                          | 1,371          | 3,129          |
| Disposals                                          | (298)          | (108)          |
| Effect of movements in foreign exchange            | 47             | (154)          |
| Depreciation charge for the year                   | (3,706)        | (3,099)        |
| <b>At 30 June, net of accumulated depreciation</b> | <b>15,653</b>  | <b>18,239</b>  |
| Fair value                                         | 36,689         | 35,970         |
| Accumulated depreciation                           | (21,036)       | (17,731)       |
| <b>Net carrying amount at end of year</b>          | <b>15,653</b>  | <b>18,239</b>  |
| <b>Total</b>                                       | <b>154,065</b> | <b>163,238</b> |

|                                            | 2012           | 2011           |
|--------------------------------------------|----------------|----------------|
|                                            | \$'000         | \$'000         |
| <b>Property, plant and equipment</b>       |                |                |
| Hotel properties <sup>(1)</sup>            | 152,155        | 149,330        |
| Budget lodge / hostel accommodation        | -              | 12,028         |
| Storage properties                         | 1,823          | 1,747          |
| Office Equipment / furniture and fittings  | 87             | 133            |
| <b>Total property, plant and equipment</b> | <b>154,065</b> | <b>163,238</b> |

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 directors' 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 Jun 2012 have regard to market sales evidence in adopting a market valuation for each property including the key assumptions outlined.

(1) Includes pub properties but excludes the value of licences that are accounted for separately as intangibles.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

The key underlying assumptions, on a portfolio basis, contained within the independent and directors' valuations above for the Hotel properties are as follows:

- A weighted average capitalisation rate for the hotel properties is 9.33% (2011: 8.90%)
- The current weighted average occupancy rate for the hotel properties is 72% (2011: 71.3%)

The independent and directors' 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 2012 have regards to market sales evidence in adopting a market valuation for each property including the key assumptions outlined.

## 15. INVENTORY

|                                         | 2012<br>\$'000 | 2011<br>\$'000 |
|-----------------------------------------|----------------|----------------|
| <b>(a) Current</b>                      |                |                |
| Hotel supplies                          | 479            | 600            |
| Projects                                |                |                |
| - purchase consideration                | 26,000         | 22,782         |
| - other costs (including finance costs) | -              | -              |
|                                         | <b>26,479</b>  | <b>23,382</b>  |
| <b>(b) Non-current</b>                  |                |                |
| Projects                                |                |                |
| - purchase consideration                | 81,246         | 44,048         |
| - development costs                     | 11,821         | 6,842          |
| - other costs (including finance costs) | 9,407          | 6,705          |
| - diminution                            | (1,500)        | -              |
|                                         | <b>100,974</b> | <b>57,595</b>  |
| <b>Total inventories</b>                | <b>127,453</b> | <b>80,977</b>  |

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

Other costs as described in note 2(z).

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 16. INVESTMENT PROPERTIES

|                                                            | 2012<br>\$'000   | 2011<br>\$'000   |
|------------------------------------------------------------|------------------|------------------|
| <b>Investment properties held for sale</b>                 |                  |                  |
| Retail                                                     | 23,801           | 62,769           |
| Commercial                                                 | 144,550          | -                |
| Industrial                                                 | 9,220            | 26,840           |
| Other                                                      | 13,250           | 1,522            |
| <b>Total investment properties held for sale</b>           | <b>190,821</b>   | <b>91,131</b>    |
|                                                            |                  |                  |
|                                                            | 2012<br>\$'000   | 2011<br>\$'000   |
| <b>Investment properties</b>                               |                  |                  |
| Retail                                                     | 296,507          | 285,686          |
| Commercial                                                 | 310,395          | 497,143          |
| Industrial                                                 | 198,740          | 177,019          |
| Storage                                                    | 357,761          | 347,983          |
| Other                                                      | 17,800           | 30,299           |
| <b>Total investment properties</b>                         | <b>1,181,203</b> | <b>1,338,130</b> |
| <b>Total investment properties including held for sale</b> | <b>1,372,024</b> | <b>1,429,261</b> |

The current investment properties represent 11 properties which are either subject to a sales contract or an active sales campaign. All properties are expected to be sold by 30 June 2013.

## 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:

|                                                            | 2012<br>\$'000   | 2011<br>\$'000   |
|------------------------------------------------------------|------------------|------------------|
| Carrying amount at beginning of the financial year         | 1,338,130        | 1,194,459        |
| Straight lining rental assets                              | (167)            | (147)            |
| Additions and capital expenditure                          | 35,152           | 213,959          |
| Fair value adjustments for properties held at balance date | (2,263)          | 9,678            |
| Disposals                                                  | (61,636)         | (15,970)         |
| Effect of movements in foreign exchange                    | 368              | (3,229)          |
| Properties transferred to held for sale                    | (158,621)        | (28,746)         |
| Transfers                                                  | 30,240           | (31,874)         |
| <b>Carrying amount at end of the financial year</b>        | <b>1,181,203</b> | <b>1,338,130</b> |

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.

Reflecting the stabilisation of market values, the Directors during the year approved a revised valuation policy for the Group that requires all assets to be independently valued at least every two years (previously annually). The key underlying assumptions, on a portfolio basis, contained within the independent and director valuations above are as follows:

**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2012****16. INVESTMENT PROPERTIES (continued)****Abacus Property Group\***

- A weighted average capitalisation rate for each category is as follows;
  - Group – 8.69% (30 June 2011: 8.50%)
  - Retail – 8.18% (30 June 2011: 8.07%)
  - Commercial – 8.38% (30 June 2011: 8.56%)
  - Industrial – 9.78% (30 June 2011: 9.41%)
  - Storage – 9.18% (30 June 2011: 9.2%)
  - Other – 8.75% (30 June 2011: 8.76%)
- The current occupancy rate for the principal portfolio excluding development and self-storage assets is 94.3% (30 June 2011: 92.8%). The current occupancy rate for self-storage assets is 82.1%.
- A weighted average rent review for the 12 months to 30 June 2012 of 3.7% (30 June 2011: 3.0%).

During the year ended 30 June 2012, 62% of the number of properties in the portfolio was subject to external valuations, the remaining 38% was subject to internal valuation.

**Abacus Diversified Income Fund II**

- A weighted average capitalisation rate for each category is as follows;
  - Commercial – 9.34% (30 June 2011: 9.27%)
  - Industrial – 8.86% (30 June 2011: 8.75%)
- The current occupancy rate for the portfolio is 97% (30 June 2011: 94%)
- A weighted average rent review for the 12 months to 30 June 2012 of 4.08% (30 June 2011: 3.74%)

During the year ended 30 June 2012, 52% of the number of properties portfolio was subject to external valuations, the remaining 48% was subject to internal valuation.

**Abacus Miller Street Holding Trust**

- A capitalisation rate of 8.75% (30 June 2011: 8.25%)
- The current occupancy rate of the property is 98% (30 June 2011: 98%) which is not expected to materially change during the period relevant to the valuation based on a conservative 50% tenant retention rate
- A weighted average rent review for the 12 months to 30 June 2012 of 4.0% (30 June 2011: 4.0%)

The property was internally valued as at 30 June 2012.

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 2012 have regard to market sales evidence in adopting a market valuation for each property including the key assumptions outlined.

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

\* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Miller Street Holding Trust

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

|                              | Note   | 2012<br>\$'000 | 2011<br>\$'000 |
|------------------------------|--------|----------------|----------------|
| Investment in associates     | 17(i)  | -              | -              |
| Investment in joint ventures | 17(ii) | 121,833        | 99,195         |
|                              |        | 121,833        | 99,195         |

### (a) Details of Associates and Joint Ventures

#### (i) Associates

|                                         | Principal Activity | 30 Jun<br>2012<br>% | 30 Jun<br>2011<br>% | 30 Jun<br>2012<br>\$'000 | 30 Jun<br>2011<br>\$'000 |
|-----------------------------------------|--------------------|---------------------|---------------------|--------------------------|--------------------------|
| Abacus Wodonga Land Fund <sup>(1)</sup> | Land subdivision   | 15                  | 15                  | -                        | -                        |
|                                         |                    |                     |                     | -                        | -                        |

#### (ii) Joint Ventures

|                                                |                      | ownership interest  |                     | carrying value           |                          |
|------------------------------------------------|----------------------|---------------------|---------------------|--------------------------|--------------------------|
|                                                | Principal Activity   | 30 Jun<br>2012<br>% | 30 Jun<br>2011<br>% | 30 Jun<br>2012<br>\$'000 | 30 Jun<br>2011<br>\$'000 |
| 309 George St JV Trust                         | Property investment  | 25                  | -                   | 11,478                   | -                        |
| Abacus Aspley Village Trust                    | Property investment  | 33                  | 33                  | 10,459                   | 9,944                    |
| Abacus Rosebery Property Trust                 | Property development | 50                  | 50                  | 1,284                    | 1,900                    |
| Abwill 350 George St Trust                     | Property development | 50                  | 50                  | 6,842                    | 6,862                    |
| Australian Aggregation Head Trust              | Property investment  | 25                  | 25                  | 14,241                   | 4,962                    |
| Birkenhead Point Marina Pty Ltd <sup>(2)</sup> | Marina operator      | 50                  | 50                  | 583                      | 248                      |
| Fordtrans Pty Ltd (Virginia Park)              | Property investment  | 50                  | 50                  | 60,412                   | 57,524                   |
| Hampton Residential Retirement Trust           | Property development | 50                  | 50                  | 4,519                    | 4,657                    |
| Jigsaw Trust                                   | Childcare operator   | 50                  | 50                  | 9,784                    | 9,013                    |
| Pakenham Valley Unit Trust                     | Land subdivision     | 50                  | 50                  | 21                       | 150                      |
| The Abacus Colemans Road Trust                 | Property development | 50                  | 50                  | 1,672                    | 1,717                    |
| The Mount Druitt Unit Trust                    | Property investment  | 50                  | 50                  | 538                      | 452                      |
| The Tulip Unit Trust                           | Property development | 50                  | 50                  | -                        | 1,766                    |
|                                                |                      |                     |                     | 121,833                  | 99,195                   |

(1) Abacus Funds Management Limited acts as the Responsible Entity of the Fund

(2) 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 on the loan facility owed by Abacus Wodonga Land Fund (\$3.5 million). The Group also incurred non-recurring costs of \$2.1 million as a result of the merger with ASF.

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

|                              | 2012<br>\$'000 | 2011<br>\$'000 |
|------------------------------|----------------|----------------|
| Revenue                      | 73,781         | 144,051        |
| Expenses                     | (56,880)       | (162,581)      |
| Net profit / (loss)          | 16,901         | (18,530)       |
| Share of net profit / (loss) | 7,379          | (6,021)        |



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

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

|                            | 2012           | 2011           |
|----------------------------|----------------|----------------|
|                            | \$'000         | \$'000         |
| Current assets             | 48,492         | 42,662         |
| Non-current assets         | 524,846        | 387,664        |
|                            | 573,338        | 430,326        |
| Current liabilities        | (18,485)       | (29,872)       |
| Non-current liabilities    | (239,282)      | (160,286)      |
|                            | (257,767)      | (190,158)      |
| <b>Net assets</b>          | <b>315,571</b> | <b>240,168</b> |
| <b>Share of net assets</b> | <b>121,833</b> | <b>99,195</b>  |

Material investments in joint ventures follows.

**Fordtrans Pty Ltd (Virginia Park) ("VP")**

The Group has a 50% interest in the ownership and voting rights of Fordtrans Pty Ltd. VP's principal place of business is in Bentleigh East, Victoria.

VP owns a sizeable Business Park providing a mixture of industrial and office buildings as well as supporting facilities including gymnasium, swim centre, child care centre, children's play centre, cafe, yoga centre and martial arts centre. The site has recently been enhanced following the purchase of a neighbouring site by the Group that offers expansion potential and residential opportunity.

The Group jointly controls the venture with the other partner under the terms of Unitholders Agreement and requires unanimous consent for all major decisions over the relevant activities.

The Group's share of income (including distributions) for the year ended 30 June 2012 was \$4.54 million (30 June 2011: \$4.08 million).

*Summarised Financial Information*

Summarised financial information in respect of VP is as follows:

|                                      | 2012           | 2011           |
|--------------------------------------|----------------|----------------|
|                                      | \$'000         | \$'000         |
| Cash & cash equivalents              | 1,134          | 865            |
| Other current assets                 | 11,233         | 6,705          |
| <b>Total current assets</b>          | <b>12,367</b>  | <b>7,570</b>   |
| <b>Total non-current assets</b>      | <b>176,286</b> | <b>186,506</b> |
| <b>Total assets</b>                  | <b>188,653</b> | <b>194,076</b> |
| Other current liabilities            | 3,377          | 1,149          |
| <b>Total current liabilities</b>     | <b>3,377</b>   | <b>1,149</b>   |
| Non-current financial liabilities    | 64,389         | 64,389         |
| <b>Total non-current liabilities</b> | <b>64,389</b>  | <b>64,389</b>  |
| <b>Total liabilities</b>             | <b>67,766</b>  | <b>65,538</b>  |
| <b>Net assets</b>                    | <b>120,887</b> | <b>128,538</b> |

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

## Fordtrans Pty Ltd (Virginia Park) ("VP") (continued)

*Summarised Statement of Comprehensive Income*

|                                   | 2012         | 2011         |
|-----------------------------------|--------------|--------------|
|                                   | \$'000       | \$'000       |
| Revenue                           | 15,559       | 14,767       |
| Interest income                   | 2,416        | 2,903        |
| Interest expense                  | (4,026)      | (4,281)      |
| <b>Profit before tax</b>          | <b>8,853</b> | <b>7,297</b> |
| Income tax expense                | -            | -            |
| <b>Total comprehensive income</b> | <b>8,853</b> | <b>7,297</b> |

## 18. INTANGIBLE ASSETS AND GOODWILL

|                                                    | 2012          | 2011          |
|----------------------------------------------------|---------------|---------------|
|                                                    | \$'000        | \$'000        |
| <b>Goodwill</b>                                    |               |               |
| Balance at 1 July                                  | 32,461        | 32,461        |
| <b>Balance at 30 June</b>                          | <b>32,461</b> | <b>32,461</b> |
| <b>Licences and entitlements</b>                   |               |               |
| At 1 July, net of accumulated amortisation         | 2,712         | 2,712         |
| Disposal                                           | (1,700)       | -             |
| Impairment                                         | (12)          | -             |
| <b>At 30 June, net of accumulated amortisation</b> | <b>1,000</b>  | <b>2,712</b>  |
| <b>Total goodwill and intangibles</b>              | <b>33,461</b> | <b>35,173</b> |

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.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 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 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 2012 covering a five-year period.

A post tax discount rate of 9.49% (2011: 9.49%) and a terminal growth rate of 3% (2011: 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 2012 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  |        |
|----------------------------------------------|------------------|--------|----------|--------|--------|--------|
|                                              | 2012             | 2011   | 2012     | 2011   | 2012   | 2011   |
|                                              | \$'000           | \$'000 | \$'000   | \$'000 | \$'000 | \$'000 |
| Goodwill                                     | 32,394           | 32,394 | 67       | 67     | 32,461 | 32,461 |
| Management rights, licences and entitlements | -                | -      | 1,000    | 2,712  | 1,000  | 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.

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 on a staggered two year basis by independent valuers.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 18. INTANGIBLE ASSETS AND GOODWILL (continued)

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

### *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 hotel valuation at June 2012 was 12.5% (2011: 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 2012 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.

## 19. TRADE AND OTHER PAYABLES

|                        | 2012          | 2011          |
|------------------------|---------------|---------------|
|                        | \$'000        | \$'000        |
| <b>(a) Current</b>     |               |               |
| Trade creditors        | 962           | 3,308         |
| Other creditors        | 13,028        | 17,556        |
| Rental guarantee       | 900           | 900           |
| Goods and services tax | 6,907         | 2,009         |
| Accrued expenses       | 8,629         | 6,736         |
|                        | <b>30,426</b> | <b>30,509</b> |
| <b>(b) Non-current</b> |               |               |
| Unearned revenue       | 10,125        | 10,008        |
| Rental guarantee       | 2,600         | 3,567         |
|                        | <b>12,725</b> | <b>13,575</b> |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 20. INTEREST BEARING LOANS AND BORROWINGS

|                                                 | 2012           | 2011           |
|-------------------------------------------------|----------------|----------------|
|                                                 | \$'000         | \$'000         |
| <b>Abacus Property Group*</b>                   |                |                |
| <b>Current</b>                                  |                |                |
| Bank loans - A\$                                | 29,950         | 13,450         |
|                                                 | <b>29,950</b>  | <b>13,450</b>  |
| <b>Abacus Miller Street Holding Trust</b>       |                |                |
| <b>Current</b>                                  |                |                |
| Bank loans - A\$                                | -              | 34,000         |
| Less: Unamortised borrowing costs               | -              | (84)           |
|                                                 | -              | <b>33,916</b>  |
| <b>(a) Total current</b>                        | <b>29,950</b>  | <b>47,366</b>  |
| <b>Abacus Property Group*</b>                   |                |                |
| <b>Non-current</b>                              |                |                |
| Bank loans - A\$                                | 484,484        | 546,002        |
| Other loans - A\$                               | 29,354         | 18,680         |
| Bank loans - A\$ value of NZ\$ denominated loan | 53,038         | 52,301         |
| Less: Unamortised borrowing costs               | (6,546)        | (7,790)        |
|                                                 | <b>560,330</b> | <b>609,193</b> |
| <b>Abacus Hospitality Fund</b>                  |                |                |
| <b>Non-current</b>                              |                |                |
| Bank loans - A\$                                | 49,240         | 49,240         |
| Bank loans - A\$ value of NZ\$ denominated loan | 20,020         | 19,739         |
| Loans from other parties                        | 25,267         | 23,339         |
| Less: Unamortised borrowing costs               | (469)          | (606)          |
|                                                 | <b>94,058</b>  | <b>91,712</b>  |
| <b>Abacus Diversified Income Fund II</b>        |                |                |
| <b>Non-current</b>                              |                |                |
| Bank loans - A\$                                | 84,319         | 91,718         |
| Less: Unamortised borrowing costs               | (427)          | (755)          |
|                                                 | <b>83,892</b>  | <b>90,963</b>  |
| <b>Abacus Miller Street Holding Trust</b>       |                |                |
| <b>Non-current</b>                              |                |                |
| Bank loans - A\$                                | 34,000         | -              |
| Less: Unamortised borrowing costs               | (20)           | -              |
|                                                 | <b>33,980</b>  | -              |
| <b>(b) Total non-current</b>                    | <b>772,260</b> | <b>791,868</b> |

\*Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Miller Street Holding Trust. The comparative balances include amounts attributable to Abacus Storage Fund of \$176.1 million.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 20. INTEREST BEARING LOANS AND BORROWINGS (continued)

|                                                                               | 2012           | 2011           |
|-------------------------------------------------------------------------------|----------------|----------------|
|                                                                               | \$'000         | \$'000         |
| <b>(c) Maturity profile of current and non-current interest bearing loans</b> |                |                |
| Due within one year                                                           | 29,950         | 47,450         |
| Due between one and five years                                                | 779,722        | 742,072        |
| Due after five years                                                          | -              | 58,947         |
|                                                                               | <b>809,672</b> | <b>848,469</b> |

### Abacus Property Group\*

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 are \$A denominated and are provided by several banks at interest rates which are set periodically on a floating basis. The loans are denominated in \$A and \$NZ and the term to maturity varies from August 2012 to April 2016. The bank loans are secured by charges over the investment properties, certain inventory and certain property, plant and equipment.

Approximately 97% (2011: 58%)\*\* of bank debt drawn was subject to fixed rate hedges with a weighted average term to maturity of 3 years (2011: 4 years)\*\*. At 30 June 2012, 25% of the 97% fixed rate hedge cover related to legacy ASF hedges. Hedge cover as a percentage of available facilities at 30 June 2012 is 69.7% (2011: 41.1%).\*\*

APG's weighted average interest rate as at 30 June 2012 was 7.27% (2011: 7.81%\*\*). Line fees on undrawn facilities contributed to 0.40% of the weighted average interest rate at 30 June 2012 (2011: 0.87%\*\*). APG's weighted average interest rate excluding the undrawn facilities line fees as at 30 June 2012 was 6.87% (2011: 6.94%\*\*).

\* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Miller Street Holding Trust

\*\* Excludes Abacus Storage Fund which merged with Abacus Property Group on 6 March 2012.

### Abacus Hospitality Fund

AHF's \$A and \$NZ bank facility was refinanced in June 2011 and matures in June 2014. The facility is secured by a charge over AHF's hotel assets and at 30 June 2012 approximately 62.0% (2011: 67.9%) of drawn bank debt facilities were subject to fixed rate hedges with a weighted average term to maturity of 5.1 years (2011: 5.6 years).

AHF's weighted average interest rate as at 30 June 2012 was 8.1% (2011: 6.0%). Line fees on undrawn facilities contributed to 0.18% of the weighted average interest rate at 30 June 2012 (2011: 0.02%). AHF's weighted average interest rate excluding the undrawn facilities line fees as at 30 June 2012 was 7.9% (2011: 5.98%).

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 20. INTEREST BEARING LOANS AND BORROWINGS (continued)

### Abacus Diversified Income Fund II

ADIF II has financed its Australian investment property portfolio via two \$A facilities provided by a two major Australian banks which mature in September 2013 and November 2014 respectively.

The facilities is secured by charges over ADIF II's investment properties and at 30 June 2012 approximately 93.1% (2011: 85.6%) of drawn bank debt facilities were subject to fixed rate hedges with a weighted average term to maturity of 3.8 years (2011: 1.4 years).

ADIF II's weighted average interest rate as at 30 June 2012 was 8.85% (2011: 8.93%). Line fees on undrawn facilities contributed to 0.20% of the weighted average interest rate at 30 June 2012 (2011: 0.10%). ADIF II's weighted average interest rate excluding the undrawn facilities line fees as at 30 June 2012 was 8.65% (2011: 8.83%).

### Abacus Miller Street Holding Trust

The Miller Street investment property is financed by a major Australian bank secured against the Miller Street investment property. The facility expires September 2013. AMSHT has hedged 97.1% of its drawn debt (2011: 97.1%) and at reporting date AMSHT's weighted average interest rate as at 30 June 2012 was 8.38% (2011: 8.60%). Line fees on undrawn facilities contributed to 0.02% of the weighted average interest rate at 30 June 2012 (2011: 0.00%). AMSHT's weighted average interest rate excluding the undrawn facilities line fees as at 30 June 2012 was 8.36% (2011: 8.60%).

### (d) Financing facilities available

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

|                                                         | 2012<br>\$'000 | 2011<br>\$'000 |
|---------------------------------------------------------|----------------|----------------|
| <b>Abacus Property Group</b>                            |                |                |
| Total facilities - bank loans                           | 789,950        | 797,907        |
| Facilities used at reporting date - bank loans          | (567,472)      | (611,745)      |
| <b>Facilities unused at reporting date - bank loans</b> | <b>222,478</b> | <b>186,162</b> |
| <b>Abacus Hospitality Fund</b>                          |                |                |
| Total facilities - bank loans                           | 78,646         | 78,261         |
| Facilities used at reporting date - bank loans          | (69,260)       | (68,979)       |
| <b>Facilities unused at reporting date - bank loans</b> | <b>9,386</b>   | <b>9,282</b>   |
| <b>Abacus Diversified Income Fund</b>                   |                |                |
| Total facilities - bank loans                           | 104,577        | 104,577        |
| Facilities used at reporting date - bank loans          | (84,319)       | (91,719)       |
| <b>Facilities unused at reporting date - bank loans</b> | <b>20,258</b>  | <b>12,858</b>  |
| <b>Abacus Miller Street Holding Trust</b>               |                |                |
| Total facilities - bank loans                           | 35,000         | 34,000         |
| Facilities used at reporting date - bank loans          | (34,000)       | (34,000)       |
| <b>Facilities unused at reporting date - bank loans</b> | <b>1,000</b>   | <b>-</b>       |

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 20. INTEREST BEARING LOANS AND BORROWINGS

## (e) Assets pledged as security

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

|                                              | Note | 2012<br>\$'000   | 2011<br>\$'000   |
|----------------------------------------------|------|------------------|------------------|
| <b>Current</b>                               |      |                  |                  |
| <i>First mortgage</i>                        |      |                  |                  |
| Investment properties held for sale          |      | 190,821          | 91,131           |
| Total current assets pledged as security     |      | 190,821          | 91,131           |
| <b>Non-current</b>                           |      |                  |                  |
| <i>First mortgage</i>                        |      |                  |                  |
| Freehold land and buildings                  |      | 5,609            | 19,325           |
| Property, plant and equipment                |      | 148,456          | 143,897          |
| Inventory                                    |      | 54,663           | 80,378           |
| Investment properties                        |      | 1,173,163        | 1,338,130        |
| Total non-current assets pledged as security |      | 1,381,891        | 1,581,730        |
| <b>Total assets pledged as security</b>      |      | <b>1,572,712</b> | <b>1,672,861</b> |

## (f) Defaults and breaches

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



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 21. PARENT ENTITY FINANCIAL INFORMATION

|                                                            | 2012            | 2011           |
|------------------------------------------------------------|-----------------|----------------|
|                                                            | \$'000          | \$'000         |
| <b>Results of the parent entity</b>                        |                 |                |
| Profit / (loss) for the year*                              | (72,912)        | (1,163)        |
| Other comprehensive income                                 | -               | -              |
| <b>Total comprehensive income / (expense) for the year</b> | <b>(72,912)</b> | <b>(1,163)</b> |
| <b>Financial position of the parent entity at year end</b> |                 |                |
| Current assets                                             | 21,808          | 14,381         |
| <b>Total assets</b>                                        | <b>155,723</b>  | <b>176,138</b> |
| Current liabilities                                        | 11,884          | 2,519          |
| <b>Total liabilities</b>                                   | <b>35,539</b>   | <b>88,970</b>  |
| <b>Net assets</b>                                          | <b>120,184</b>  | <b>87,168</b>  |
| <b>Total equity of the parent entity comprising of:</b>    |                 |                |
| Issued capital                                             | 160,673         | 54,745         |
| Retained earnings                                          | (45,937)        | 26,975         |
| Employee options reserve                                   | 5,448           | 5,448          |
| <b>Total equity</b>                                        | <b>120,184</b>  | <b>87,168</b>  |

\* Includes diminution of subsidiary of \$98 million in 2012 which is eliminated in the consolidation of the Group's results.

### Parent entity contingencies

The parent entity has entered into the following agreement as at 30 June 2011 which is current as at 30 June 2012:

- 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 \$6.8 million (2011: \$4 million). No property security has been provided by the parent.

### Parent entity capital commitments

There are no capital commitments of the parent entity as at 30 June 2012 (2011: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 22. FINANCIAL INSTRUMENTS

### (i) Credit Risk

#### Credit Risk Exposures

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

|                           | Carrying Amount |                |
|---------------------------|-----------------|----------------|
|                           | 2012            | 2011           |
|                           | \$'000          | \$'000         |
| Receivables               | 18,130          | 21,583         |
| Secured property loans    | 173,856         | 173,217        |
| Other financial assets    | 32,542          | 33,136         |
| Cash and cash equivalents | 54,129          | 64,648         |
|                           | <b>278,657</b>  | <b>292,584</b> |

As at 30 June 2012, the Group had the following concentrations of credit risk:

- Secured property loans: a loan which represents 36% of the portfolio covers three large projects at Riverlands, Camelia and Lewisham;
- Other financial assets (fair value) is represented by 2 issuers (2011: 2 issuers)

#### Secured property loans

The following table illustrates grouping of the Group's investment in secured loans. 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  | Extended term <sup>(1)</sup> | Past due term <sup>(2)</sup> | Impaired <sup>(3)</sup> |
|--------------------|----------------|----------------|------------------------------|------------------------------|-------------------------|
| 30 June 2012       | \$'000         | \$'000         | \$'000                       | \$'000                       | \$'000                  |
| Loans              | 173,856        | 150,121        | 23,735                       | -                            | -                       |
| less: provisioning | -              | -              | -                            | -                            | -                       |
| <b>Total</b>       | <b>173,856</b> | <b>150,121</b> | <b>23,735</b>                | <b>-</b>                     | <b>-</b>                |

|                    | Total          | Original term  | Extended term <sup>(1)</sup> | Past due term <sup>(2)</sup> | Impaired <sup>(3)</sup> |
|--------------------|----------------|----------------|------------------------------|------------------------------|-------------------------|
| 30 June 2011       | \$'000         | \$'000         | \$'000                       | \$'000                       | \$'000                  |
| Loans              | 173,217        | 145,593        | 14,119                       | 13,505                       | -                       |
| less: provisioning | -              | -              | -                            | -                            | -                       |
| <b>Total</b>       | <b>173,217</b> | <b>145,593</b> | <b>14,119</b>                | <b>13,505</b>                | <b>-</b>                |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 22. FINANCIAL INSTRUMENTS (continued)

### (i) Credit Risk (continued)

#### Secured property loans and interim funding (continued)

- 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 \$32.5 million (2011: \$32.2 million) include options totalling \$27.9 million (2011: \$27.4 million) which are both on original terms.

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

|                                | 2012<br>\$'000 | 2011<br>\$'000 |
|--------------------------------|----------------|----------------|
| Balance at 1 July 2011         | -              | 2,200          |
| Impairment loss recognised     | -              | -              |
| Impairment loss utilised       | -              | (2,200)        |
| <b>Balance at 30 June 2012</b> | <b>-</b>       | <b>-</b>       |

### (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.

#### Abacus Property Group\*

|                                                         | Carrying<br>Amount<br>\$'000 | Contractual<br>cash flows<br>\$'000 | 1 Year or<br>less<br>\$'000 | Over 1 year<br>to 5 years<br>\$'000 | Over<br>5 years<br>\$'000 |
|---------------------------------------------------------|------------------------------|-------------------------------------|-----------------------------|-------------------------------------|---------------------------|
| <b>30 June 2012</b>                                     | <b>\$'000</b>                | <b>\$'000</b>                       | <b>\$'000</b>               | <b>\$'000</b>                       | <b>\$'000</b>             |
| <b>Liabilities</b>                                      |                              |                                     |                             |                                     |                           |
| Trade and other payables                                | 32,735                       | 32,735                              | 20,010                      | 12,725                              | -                         |
| Interest bearing loans and borrowings incl derivatives# | 643,566                      | 724,007                             | 82,846                      | 635,311                             | 5,850                     |
| <b>Total liabilities</b>                                | <b>676,301</b>               | <b>756,742</b>                      | <b>102,856</b>              | <b>648,036</b>                      | <b>5,850</b>              |

|                                                         | Carrying<br>Amount<br>\$'000 | Contractual<br>cash flows<br>\$'000 | 1 Year or<br>less<br>\$'000 | Over 1 year<br>to 5 years<br>\$'000 | Over<br>5 years<br>\$'000 |
|---------------------------------------------------------|------------------------------|-------------------------------------|-----------------------------|-------------------------------------|---------------------------|
| <b>30 June 2011</b>                                     | <b>\$'000</b>                | <b>\$'000</b>                       | <b>\$'000</b>               | <b>\$'000</b>                       | <b>\$'000</b>             |
| <b>Liabilities</b>                                      |                              |                                     |                             |                                     |                           |
| Trade and other payables                                | 30,972                       | 30,972                              | 17,397                      | 13,575                              | -                         |
| Interest bearing loans and borrowings incl derivatives# | 473,925                      | 548,841                             | 50,021                      | 496,635                             | 2,185                     |
| <b>Total liabilities</b>                                | <b>504,897</b>               | <b>579,813</b>                      | <b>67,418</b>               | <b>510,210</b>                      | <b>2,185</b>              |

# Carrying amount includes fair value of derivative liabilities. Contractual cash flows includes contracted debt and net swap payments using prevailing forward rates

\* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Miller Street Holding Trust

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 22. FINANCIAL INSTRUMENTS (continued)

### (ii) Liquidity Risk (continued)

#### Abacus Hospitality Fund

|                                                         | Carrying<br>Amount | Contractual<br>cash flows | 1 Year or<br>less | Over 1 year<br>to 5 years | Over<br>5 years |
|---------------------------------------------------------|--------------------|---------------------------|-------------------|---------------------------|-----------------|
| 30 June 2012                                            | \$'000             | \$'000                    | \$'000            | \$'000                    | \$'000          |
| <b>Liabilities</b>                                      |                    |                           |                   |                           |                 |
| Trade and other payables                                | 6,895              | 6,895                     | 6,895             | -                         | -               |
| Interest bearing loans and borrowings incl derivatives# | 85,969             | 96,700                    | 8,117             | 88,584                    | -               |
| <b>Total liabilities</b>                                | <b>92,864</b>      | <b>103,595</b>            | <b>15,012</b>     | <b>88,584</b>             | <b>-</b>        |

|                                                         | Carrying<br>Amount | Contractual<br>cash flows | 1 Year or<br>less | Over 1 year<br>to 5 years | Over<br>5 years |
|---------------------------------------------------------|--------------------|---------------------------|-------------------|---------------------------|-----------------|
| 30 June 2011                                            | \$'000             | \$'000                    | \$'000            | \$'000                    | \$'000          |
| <b>Liabilities</b>                                      |                    |                           |                   |                           |                 |
| Trade and other payables                                | 7,628              | 7,628                     | 7,628             | -                         | -               |
| Interest bearing loans and borrowings incl derivatives# | 75,003             | 91,776                    | 5,458             | 85,236                    | 1,081           |
| <b>Total liabilities</b>                                | <b>82,631</b>      | <b>99,404</b>             | <b>13,086</b>     | <b>85,236</b>             | <b>1,081</b>    |

# Carrying amount includes fair value of derivative liabilities. Contractual cash flows including contracted debt and net swap payments using prevailing forward rates

#### Abacus Diversified Income Fund

|                                                         | Carrying<br>Amount | Contractual<br>cash flows | 1 Year or<br>less | Over 1 year<br>to 5 years | Over<br>5 years |
|---------------------------------------------------------|--------------------|---------------------------|-------------------|---------------------------|-----------------|
| 30 June 2012                                            | \$'000             | \$'000                    | \$'000            | \$'000                    | \$'000          |
| <b>Liabilities</b>                                      |                    |                           |                   |                           |                 |
| Trade and other payables                                | 2,724              | 2,724                     | 2,724             | -                         | -               |
| Interest bearing loans and borrowings incl derivatives# | 92,233             | 100,615                   | 7,380             | 93,235                    | -               |
| <b>Total liabilities</b>                                | <b>94,957</b>      | <b>103,339</b>            | <b>10,104</b>     | <b>93,235</b>             | <b>-</b>        |

|                                                         | Carrying<br>Amount | Contractual<br>cash flows | 1 Year or<br>less | Over 1 year<br>to 5 years | Over<br>5 years |
|---------------------------------------------------------|--------------------|---------------------------|-------------------|---------------------------|-----------------|
| 30 June 2011                                            | \$'000             | \$'000                    | \$'000            | \$'000                    | \$'000          |
| <b>Liabilities</b>                                      |                    |                           |                   |                           |                 |
| Trade and other payables                                | 1,742              | 1,742                     | 1,580             | 162                       | -               |
| Interest bearing loans and borrowings incl derivatives# | 95,078             | 107,038                   | 8,148             | 98,890                    | -               |
| <b>Total liabilities</b>                                | <b>96,820</b>      | <b>108,780</b>            | <b>9,728</b>      | <b>99,052</b>             | <b>-</b>        |

# Carrying amount includes fair value of derivative liabilities. Contractual cash flows including contracted debt and net swap payments using prevailing forward rates

# NOTES TO THE FINANCIAL STATEMENTS

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## 22. FINANCIAL INSTRUMENTS (continued)

### (ii) Liquidity Risk (continued)

#### Abacus Miller Street Holding Trust

|                                                         | Carrying<br>Amount | Contractual<br>cash flows | 1 Year or<br>less | Over 1 year<br>to 5 years | Over<br>5 years |
|---------------------------------------------------------|--------------------|---------------------------|-------------------|---------------------------|-----------------|
| 30 June 2012                                            | \$'000             | \$'000                    | \$'000            | \$'000                    | \$'000          |
| <b>Liabilities</b>                                      |                    |                           |                   |                           |                 |
| Trade and other payables                                | 828                | 828                       | 828               | -                         | -               |
| Interest bearing loans and borrowings incl derivatives# | 35,843             | 38,073                    | 2,749             | 35,324                    | -               |
| <b>Total liabilities</b>                                | <b>36,671</b>      | <b>38,901</b>             | <b>3,577</b>      | <b>35,324</b>             | <b>-</b>        |

|                                                         | Carrying<br>Amount | Contractual<br>cash flows | 1 Year or<br>less | Over 1 year<br>to 5 years | Over<br>5 years |
|---------------------------------------------------------|--------------------|---------------------------|-------------------|---------------------------|-----------------|
| 30 June 2011                                            | \$'000             | \$'000                    | \$'000            | \$'000                    | \$'000          |
| <b>Liabilities</b>                                      |                    |                           |                   |                           |                 |
| Trade and other payables                                | 610                | 610                       | 610               | -                         | -               |
| Interest bearing loans and borrowings incl derivatives# | 34,970             | 37,573                    | 36,925            | 648                       | -               |
| <b>Total liabilities</b>                                | <b>35,580</b>      | <b>38,183</b>             | <b>37,535</b>     | <b>648</b>                | <b>-</b>        |

# Carrying amount includes fair value of derivative liabilities. Contractual cash flows including contracted debt and net swap payments using prevailing forward rates

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 22. FINANCIAL INSTRUMENTS (continued)

### (iii) Currency Risk

The following table shows the Group's investments denominated in a foreign currency.

|                                       | AUD           |               | NZD           |               | GBP          |              |
|---------------------------------------|---------------|---------------|---------------|---------------|--------------|--------------|
|                                       | 2012          | 2011          | 2012          | 2011          | 2012         | 2011         |
|                                       | \$'000        | \$'000        | \$'000        | \$'000        | £'000        | £'000        |
| <b>Assets</b>                         |               |               |               |               |              |              |
| Cash at bank                          | 8,028         | 2,243         | 10,253        | 2,905         | -            | -            |
| Investment in securities              | 4,026         | 3,889         | -             | -             | 2,629        | 2,593        |
| <b>Total assets</b>                   | <b>12,054</b> | <b>6,132</b>  | <b>10,253</b> | <b>2,905</b>  | <b>2,629</b> | <b>2,593</b> |
| <b>Liabilities</b>                    |               |               |               |               |              |              |
| Interest bearing loans and borrowings | 73,058        | 77,003        | 93,303        | 99,742        | -            | -            |
| <b>Total liabilities</b>              | <b>73,058</b> | <b>77,003</b> | <b>93,303</b> | <b>99,742</b> | <b>-</b>     | <b>-</b>     |

The Abacus Property Group and Abacus Hospitality Fund borrow loan funds in New Zealand dollars to substantially match the foreign currency property asset value exposure with a corresponding foreign currency liability and therefore expects to substantially mitigate the foreign currency risk on their New Zealand denominated asset values.

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

At 30 June 2012, had the Australian Dollar moved, as illustrated in the table below, with all other variables held consistent, post tax profit and equity would have been affected as follows:

| Judgements of reasonably possible movements: | Post tax profit |        | Equity         |        |
|----------------------------------------------|-----------------|--------|----------------|--------|
|                                              | Higher/(Lower)  |        | Higher/(Lower) |        |
|                                              | 2012            | 2011   | 2012           | 2011   |
|                                              | \$'000          | \$'000 | \$'000         | \$'000 |
| AUD/GBP + 10%                                | (366)           | (354)  | -              | -      |
| AUD/GBP - 10%                                | 447             | 432    | -              | -      |
| AUD/NZD + 10%                                | (287)           | (24)   | -              | -      |
| AUD/NZD - 10%                                | 351             | 29     | -              | -      |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 22. 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:

#### Abacus Property Group\*

|                                                    | Floating<br>interest rate | Fixed interest<br>less than<br>1 year | Fixed interest<br>1 to 5 years | Fixed interest<br>over 5 years | Non interest<br>bearing | Total          |
|----------------------------------------------------|---------------------------|---------------------------------------|--------------------------------|--------------------------------|-------------------------|----------------|
| 30 June 2012                                       | \$'000                    | \$'000                                | \$'000                         | \$'000                         | \$'000                  | \$'000         |
| <b>Financial Assets</b>                            |                           |                                       |                                |                                |                         |                |
| Cash and cash equivalents                          | 43,114                    | -                                     | -                              | -                              | -                       | 43,114         |
| Receivables                                        | -                         | -                                     | -                              | -                              | 14,170                  | 14,170         |
| Secured loans                                      | -                         | 19,068                                | 154,759                        | -                              | 30                      | 173,857        |
| <b>Total financial assets</b>                      | <b>43,114</b>             | <b>19,068</b>                         | <b>154,759</b>                 | <b>-</b>                       | <b>14,200</b>           | <b>231,141</b> |
| Weighted average interest rate*                    | 3.30%                     | 13.11%                                | 10.70%                         |                                |                         |                |
| <b>Financial liabilities</b>                       |                           |                                       |                                |                                |                         |                |
| Interest bearing liabilities - bank                | 560,926                   | -                                     | -                              | -                              | -                       | 560,926        |
| Interest bearing liabilities - other               | -                         | -                                     | 25,062                         | -                              | 4,292                   | 29,354         |
| Derivatives                                        | -                         | -                                     | -                              | -                              | 53,286                  | 53,286         |
| Payables                                           | -                         | -                                     | -                              | -                              | 32,735                  | 32,735         |
| <b>Total financial liabilities</b>                 | <b>560,926</b>            | <b>-</b>                              | <b>25,062</b>                  | <b>-</b>                       | <b>90,313</b>           | <b>676,301</b> |
| Notional principal swap balance maturities*        | -                         | 98,703                                | 306,999                        | 225,000                        | -                       | 630,702        |
| Weighted average interest rate on drawn bank debt* | 7.27%                     |                                       |                                |                                |                         |                |

|                                                    | Floating<br>interest rate | Fixed interest<br>less than<br>1 year | Fixed interest<br>1 to 5 years | Fixed interest<br>over 5 years | Non interest<br>bearing | Total          |
|----------------------------------------------------|---------------------------|---------------------------------------|--------------------------------|--------------------------------|-------------------------|----------------|
| 30 June 2011                                       | \$'000                    | \$'000                                | \$'000                         | \$'000                         | \$'000                  | \$'000         |
| <b>Financial Assets</b>                            |                           |                                       |                                |                                |                         |                |
| Cash and cash equivalents                          | 49,486                    | -                                     | -                              | -                              | -                       | 49,486         |
| Receivables                                        | -                         | -                                     | -                              | -                              | 19,471                  | 19,471         |
| Secured loans                                      | -                         | 19,031                                | 131,343                        | 22,522                         | 323                     | 173,219        |
| <b>Total financial assets</b>                      | <b>49,486</b>             | <b>19,031</b>                         | <b>131,343</b>                 | <b>22,522</b>                  | <b>19,794</b>           | <b>242,176</b> |
| Weighted average interest rate*                    | 4.58%                     | 13.01%                                | 12.31%                         | 8.78%                          |                         |                |
| <b>Financial liabilities</b>                       |                           |                                       |                                |                                |                         |                |
| Interest bearing liabilities - bank                | 605,910                   | -                                     | -                              | -                              | -                       | 605,910        |
| Interest bearing liabilities - other               | -                         | -                                     | 18,680                         | -                              | -                       | 18,680         |
| Derivatives                                        | -                         | -                                     | -                              | -                              | 18,291                  | 18,291         |
| Payables                                           | -                         | -                                     | -                              | -                              | 30,972                  | 30,972         |
| <b>Total financial liabilities</b>                 | <b>605,910</b>            | <b>-</b>                              | <b>18,680</b>                  | <b>-</b>                       | <b>49,263</b>           | <b>673,853</b> |
| Notional principal swap balance maturities*        | -                         | 10,000                                | 377,213                        | -                              | -                       | 387,213        |
| Weighted average interest rate on drawn bank debt* | 7.81%                     |                                       |                                |                                |                         |                |

\* rate calculated at 30 June.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 22. FINANCIAL INSTRUMENTS (continued)

### (iv) Interest rate risk (continued)

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:

#### Abacus Hospitality Fund

|                                                    | Floating<br>interest rate | Fixed interest<br>less than<br>1 year | Fixed interest<br>1 to 5 years | Fixed interest<br>over 5 years | Non interest<br>bearing | Total          |
|----------------------------------------------------|---------------------------|---------------------------------------|--------------------------------|--------------------------------|-------------------------|----------------|
| 30 June 2012                                       | \$'000                    | \$'000                                | \$'000                         | \$'000                         | \$'000                  | \$'000         |
| <b>Financial Assets</b>                            |                           |                                       |                                |                                |                         |                |
| Cash and cash equivalents                          | 9,990                     | -                                     | -                              | -                              | -                       | 9,990          |
| Receivables                                        | -                         | -                                     | -                              | -                              | 3,238                   | 3,238          |
| <b>Total financial assets</b>                      | <b>9,990</b>              | <b>-</b>                              | <b>-</b>                       | <b>-</b>                       | <b>3,238</b>            | <b>13,228</b>  |
| Weighted average interest rate*                    | 2.19%                     |                                       |                                |                                |                         |                |
| <b>Financial liabilities</b>                       |                           |                                       |                                |                                |                         |                |
| Interest bearing liabilities - bank                | 68,790                    | -                                     | -                              | -                              | -                       | 68,790         |
| Related party loans                                | -                         | 5,635                                 | 19,632                         | -                              | -                       | 25,267         |
| Derivatives                                        | -                         | -                                     | -                              | -                              | 16,709                  | 16,709         |
| Payables                                           | -                         | -                                     | -                              | -                              | 6,895                   | 6,895          |
| <b>Total financial liabilities</b>                 | <b>68,790</b>             | <b>5,635</b>                          | <b>19,632</b>                  | <b>-</b>                       | <b>23,604</b>           | <b>117,661</b> |
| Notional principal swap balance maturities*        | -                         | -                                     | 42,942                         | -                              | -                       | 42,942         |
| Weighted average interest rate on drawn bank debt* | 8.10%                     |                                       |                                |                                |                         |                |

|                                                    | Floating<br>interest rate | Fixed interest<br>less than<br>1 year | Fixed interest<br>1 to 5 years | Fixed interest<br>over 5 years | Non interest<br>bearing | Total          |
|----------------------------------------------------|---------------------------|---------------------------------------|--------------------------------|--------------------------------|-------------------------|----------------|
| 30 June 2011                                       | \$'000                    | \$'000                                | \$'000                         | \$'000                         | \$'000                  | \$'000         |
| <b>Financial Assets</b>                            |                           |                                       |                                |                                |                         |                |
| Cash and cash equivalents                          | 9,407                     | -                                     | -                              | -                              | -                       | 9,407          |
| Receivables                                        | -                         | -                                     | -                              | -                              | 3,192                   | 3,192          |
| <b>Total financial assets</b>                      | <b>9,407</b>              | <b>-</b>                              | <b>-</b>                       | <b>-</b>                       | <b>3,192</b>            | <b>12,599</b>  |
| Weighted average interest rate*                    | 3.55%                     |                                       |                                |                                |                         |                |
| <b>Financial liabilities</b>                       |                           |                                       |                                |                                |                         |                |
| Interest bearing liabilities - bank                | 68,372                    | -                                     | -                              | -                              | -                       | 68,372         |
| Related party loans                                | -                         | 3,705                                 | 19,635                         | -                              | -                       | 23,340         |
| Derivatives                                        | -                         | -                                     | -                              | -                              | 6,024                   | 6,024          |
| Payables                                           | -                         | -                                     | -                              | -                              | 7,628                   | 7,628          |
| <b>Total financial liabilities</b>                 | <b>68,372</b>             | <b>3,705</b>                          | <b>19,635</b>                  | <b>-</b>                       | <b>13,652</b>           | <b>105,364</b> |
| Notional principal swap balance maturities*        | -                         | -                                     | 46,803                         | -                              | -                       | 46,803         |
| Weighted average interest rate on drawn bank debt* | 6.00%                     |                                       |                                |                                |                         |                |

\* rate calculated at 30 June.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 22. FINANCIAL INSTRUMENTS (continued)

### (iv) Interest rate risk (continued)

#### Abacus Diversified Income Fund II

|                                                    | Floating<br>interest rate<br>\$'000 | Fixed interest<br>less than<br>1 year<br>\$'000 | Fixed interest<br>1 to 5 years<br>\$'000 | Fixed interest<br>over 5 years<br>\$'000 | Non interest<br>bearing<br>\$'000 | Total<br>\$'000 |
|----------------------------------------------------|-------------------------------------|-------------------------------------------------|------------------------------------------|------------------------------------------|-----------------------------------|-----------------|
| <b>30 June 2012</b>                                |                                     |                                                 |                                          |                                          |                                   |                 |
| <b>Financial Assets</b>                            |                                     |                                                 |                                          |                                          |                                   |                 |
| Cash and cash equivalents                          | 226                                 | -                                               | -                                        | -                                        | -                                 | 226             |
| Receivables                                        | -                                   | -                                               | -                                        | -                                        | 1,058                             | 1,058           |
| <b>Total financial assets</b>                      | <b>226</b>                          | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>1,058</b>                      | <b>1,284</b>    |
| Weighted average interest rate*                    | 2.30%                               |                                                 |                                          |                                          |                                   |                 |
| <b>Financial liabilities</b>                       |                                     |                                                 |                                          |                                          |                                   |                 |
| Interest bearing liabilities - bank                | 83,932                              | -                                               | -                                        | -                                        | -                                 | 83,932          |
| Derivatives                                        | -                                   | -                                               | -                                        | -                                        | 7,914                             | 7,914           |
| Payables                                           | -                                   | -                                               | -                                        | -                                        | 2,724                             | 2,724           |
| <b>Total financial liabilities</b>                 | <b>83,932</b>                       | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>10,638</b>                     | <b>94,570</b>   |
| Notional principal swap balance maturities*        | -                                   | -                                               | 78,500                                   | -                                        | -                                 | 78,500          |
| Weighted average interest rate on drawn bank debt* | 8.85%                               |                                                 |                                          |                                          |                                   |                 |

|                                                    | Floating<br>interest rate<br>\$'000 | Fixed interest<br>less than<br>1 year<br>\$'000 | Fixed interest<br>1 to 5 years<br>\$'000 | Fixed interest<br>over 5 years<br>\$'000 | Non interest<br>bearing<br>\$'000 | Total<br>\$'000 |
|----------------------------------------------------|-------------------------------------|-------------------------------------------------|------------------------------------------|------------------------------------------|-----------------------------------|-----------------|
| <b>30 June 2011</b>                                |                                     |                                                 |                                          |                                          |                                   |                 |
| <b>Financial Assets</b>                            |                                     |                                                 |                                          |                                          |                                   |                 |
| Cash and cash equivalents                          | 1,866                               | -                                               | -                                        | -                                        | -                                 | 1,866           |
| Receivables                                        | -                                   | -                                               | -                                        | -                                        | 272                               | 272             |
| <b>Total financial assets</b>                      | <b>1,866</b>                        | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>272</b>                        | <b>2,138</b>    |
| Weighted average interest rate*                    | 4.05%                               |                                                 |                                          |                                          |                                   |                 |
| <b>Financial liabilities</b>                       |                                     |                                                 |                                          |                                          |                                   |                 |
| Interest bearing liabilities - bank                | 91,014                              | -                                               | -                                        | -                                        | -                                 | 91,014          |
| Derivatives                                        | -                                   | -                                               | -                                        | -                                        | 3,359                             | 3,359           |
| Payables                                           | -                                   | -                                               | -                                        | -                                        | 1,741                             | 1,741           |
| <b>Total financial liabilities</b>                 | <b>91,014</b>                       | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>5,100</b>                      | <b>96,114</b>   |
| Notional principal swap balance maturities*        | -                                   | -                                               | 78,500                                   | -                                        | -                                 | 78,500          |
| Weighted average interest rate on drawn bank debt* | 8.93%                               |                                                 |                                          |                                          |                                   |                 |

\* rate calculated at 30 June.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 22. FINANCIAL INSTRUMENTS (continued)

### (iv) Interest rate risk (continued)

#### Abacus Miller Street Holding Trust

|                                                       | Floating<br>interest rate<br>\$'000 | Fixed interest<br>less than<br>1 year<br>\$'000 | Fixed interest<br>1 to 5 years<br>\$'000 | Fixed interest<br>over 5 years<br>\$'000 | Non interest<br>bearing<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------------|-------------------------------------|-------------------------------------------------|------------------------------------------|------------------------------------------|-----------------------------------|-----------------|
| <b>30 June 2012</b>                                   |                                     |                                                 |                                          |                                          |                                   |                 |
| <b>Financial Assets</b>                               |                                     |                                                 |                                          |                                          |                                   |                 |
| Cash and cash equivalents                             | 799                                 | -                                               | -                                        | -                                        | -                                 | 799             |
| Receivables                                           | -                                   | -                                               | -                                        | -                                        | 9                                 | 9               |
| <b>Total financial assets</b>                         | <b>799</b>                          | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>9</b>                          | <b>808</b>      |
| Weighted average interest rate*                       | 2.30%                               |                                                 |                                          |                                          |                                   |                 |
| <b>Financial liabilities</b>                          |                                     |                                                 |                                          |                                          |                                   |                 |
| Interest bearing liabilities - bank                   | 34,000                              | -                                               | -                                        | -                                        | -                                 | 34,000          |
| Derivatives                                           | -                                   | -                                               | -                                        | -                                        | 1,843                             | 1,843           |
| Payables                                              | -                                   | -                                               | -                                        | -                                        | 828                               | 828             |
| <b>Total financial liabilities</b>                    | <b>34,000</b>                       | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>2,671</b>                      | <b>36,671</b>   |
| Notional principal swap balance<br>maturities*        | -                                   | -                                               | 33,000                                   | -                                        | -                                 | 33,000          |
| Weighted average interest rate on drawn<br>bank debt* | 8.38%                               |                                                 |                                          |                                          |                                   |                 |

|                                                       | Floating<br>interest rate<br>\$'000 | Fixed interest<br>less than<br>1 year<br>\$'000 | Fixed interest<br>1 to 5 years<br>\$'000 | Fixed interest<br>over 5 years<br>\$'000 | Non interest<br>bearing<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------------|-------------------------------------|-------------------------------------------------|------------------------------------------|------------------------------------------|-----------------------------------|-----------------|
| <b>30 June 2011</b>                                   |                                     |                                                 |                                          |                                          |                                   |                 |
| <b>Financial Assets</b>                               |                                     |                                                 |                                          |                                          |                                   |                 |
| Cash and cash equivalents                             | 2,287                               | -                                               | -                                        | -                                        | -                                 | 2,287           |
| Receivables                                           | -                                   | -                                               | -                                        | -                                        | 167                               | 167             |
| <b>Total financial assets</b>                         | <b>2,287</b>                        | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>167</b>                        | <b>2,454</b>    |
| Weighted average interest rate*                       | 4.05%                               |                                                 |                                          |                                          |                                   |                 |
| <b>Financial liabilities</b>                          |                                     |                                                 |                                          |                                          |                                   |                 |
| Interest bearing liabilities - bank                   | 34,000                              | -                                               | -                                        | -                                        | -                                 | 34,000          |
| Derivatives                                           | -                                   | -                                               | -                                        | -                                        | 970                               | 970             |
| Payables                                              | -                                   | -                                               | -                                        | -                                        | 610                               | 610             |
| <b>Total financial liabilities</b>                    | <b>34,000</b>                       | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>1,580</b>                      | <b>35,580</b>   |
| maturities*                                           | -                                   | 33,000                                          | -                                        | -                                        | -                                 | 33,000          |
| Weighted average interest rate on drawn<br>bank debt* | 8.60%                               |                                                 |                                          |                                          |                                   |                 |

\* rate calculated at 30 June.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 22. FINANCIAL INSTRUMENTS (continued)

### (iv) Interest rate risk (continued)

#### Summarised interest rate sensitivity analysis

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

| 30 June 2012          | Carrying amount<br>Floating<br>\$'000 | AUD                     |                  |                         |                  |
|-----------------------|---------------------------------------|-------------------------|------------------|-------------------------|------------------|
|                       |                                       | -1%<br>Profit<br>\$'000 | Equity<br>\$'000 | +1%<br>Profit<br>\$'000 | Equity<br>\$'000 |
|                       |                                       |                         |                  |                         |                  |
| Financial assets      | 54,129                                | (541)                   | -                | 541                     | -                |
| Financial liabilities | 123,113                               | (29,555)                | -                | 25,101                  | -                |

| 30 June 2011          | Carrying amount<br>Floating<br>\$'000 | AUD                     |                  |                         |                  |
|-----------------------|---------------------------------------|-------------------------|------------------|-------------------------|------------------|
|                       |                                       | -1%<br>Profit<br>\$'000 | Equity<br>\$'000 | +1%<br>Profit<br>\$'000 | Equity<br>\$'000 |
|                       |                                       |                         |                  |                         |                  |
| Financial assets      | 64,648                                | (646)                   | -                | 646                     | -                |
| Financial liabilities | 242,915                               | (22,952)                | -                | 16,611                  | -                |

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 \$0.22 million (2011: \$1.04 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 22. FINANCIAL INSTRUMENTS (continued)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2012.

|                                     | Level 1    | Level 2         | Level 3       | Total           |
|-------------------------------------|------------|-----------------|---------------|-----------------|
|                                     | 2012       | 2012            | 2012          | 2012            |
| 30 June 2012                        | \$'000     | \$'000          | \$'000        | \$'000          |
| <b>Current</b>                      |            |                 |               |                 |
| Investment in securities - listed   | 168        | -               | -             | 168             |
| Investment in options               | -          | -               | 7,885         | 7,885           |
| <b>Total current</b>                | <b>168</b> | <b>-</b>        | <b>7,885</b>  | <b>8,053</b>    |
| <b>Non-current</b>                  |            |                 |               |                 |
| Investment in securities - unlisted | -          | -               | 4,490         | 4,490           |
| Investment in options               | -          | -               | 20,000        | 20,000          |
| Derivative liabilities              | -          | (79,752)        | -             | (79,752)        |
| <b>Total non-current</b>            | <b>-</b>   | <b>(79,752)</b> | <b>24,490</b> | <b>(55,262)</b> |
|                                     |            |                 |               |                 |
|                                     | Level 1    | Level 2         | Level 3       | Total           |
|                                     | 2011       | 2011            | 2011          | 2011            |
| 30 June 2011                        | \$'000     | \$'000          | \$'000        | \$'000          |
| <b>Current</b>                      |            |                 |               |                 |
| Investment in securities - listed   | 959        | -               | -             | 959             |
| <b>Total current</b>                | <b>959</b> | <b>-</b>        | <b>-</b>      | <b>959</b>      |
| <b>Non-current</b>                  |            |                 |               |                 |
| Investment in securities - unlisted | -          | -               | 4,795         | 4,795           |
| Investment in options               | -          | -               | 27,382        | 27,382          |
| Derivative liabilities              | -          | (28,644)        | -             | (28,644)        |
| <b>Total non-current</b>            | <b>-</b>   | <b>(28,644)</b> | <b>32,177</b> | <b>3,533</b>    |

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 22. FINANCIAL INSTRUMENTS (continued)

### (vi) Fair values (continued)

The following table is a reconciliation of the movements in unlisted securities and options classified as Level 3 for the year ended 30 June 2012.

|                                                  | Unlisted<br>securities<br>\$'000 | Options<br>\$'000 | Total<br>\$'000 |
|--------------------------------------------------|----------------------------------|-------------------|-----------------|
| opening balance as at 30 June 2011               | 4,795                            | 27,382            | 32,177          |
| fair value movement through the income statement | (50)                             | 503               | 453             |
| redemptions / conversions                        | (255)                            | -                 | (255)           |
| <b>closing balance as at 30 June 2012</b>        | <b>4,490</b>                     | <b>27,885</b>     | <b>32,375</b>   |

|                                                  | Unlisted<br>securities<br>\$'000 | Options<br>\$'000 | Total<br>\$'000 |
|--------------------------------------------------|----------------------------------|-------------------|-----------------|
| opening balance as at 30 June 2010               | 11,485                           | 42,303            | 53,788          |
| fair value movement through the income statement | (6,453)                          | (8,984)           | (15,437)        |
| purchases / additions                            | 93                               | 63                | 156             |
| redemptions                                      | (330)                            | (6,000)           | (6,330)         |
| <b>closing balance as at 30 June 2011</b>        | <b>4,795</b>                     | <b>27,382</b>     | <b>32,177</b>   |

### 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 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%, a change in the property capitalisation rate by 0.5% and a change in the unit price of securities of 10% would have the effect of reducing the fair value by up to \$0.4 million (2011: \$0.5 million) or increase the fair value by \$8.2 million (2011: \$4.9 million).

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 23. CONTRIBUTED EQUITY

|                                      | 2012<br>\$'000   | 2011<br>\$'000   |
|--------------------------------------|------------------|------------------|
| <b>(a) Issued stapled securities</b> |                  |                  |
| Stapled securities                   | 1,271,794        | 1,172,136        |
| Issue costs                          | (39,800)         | (32,312)         |
| <b>Total contributed equity</b>      | <b>1,231,994</b> | <b>1,139,824</b> |

### (b) Movement in stapled securities on issue

|                                            | Stapled securities |                  |
|--------------------------------------------|--------------------|------------------|
|                                            | Number<br>'000     | Value<br>\$'000  |
| <b>At 30 June 2011</b>                     | <b>378,484</b>     | <b>1,139,824</b> |
| - distribution reinvestment plan           | 18,920             | 36,188           |
| - merger of Abacus Storage Fund            | 37,579             | 63,468           |
| - less transaction costs                   | -                  | (7,486)          |
| <b>Securities on issue at 30 June 2012</b> | <b>434,983</b>     | <b>1,231,994</b> |

## 24. CAPITAL MANAGEMENT

### Abacus Property Group\*

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 underlying 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 and joint ventures, or (where practical) recalibrating the timing of transactions and capital expenditure so as to avoid a concentration of net cash outflows.

The Group manages the cash flow effect of interest rate risk by entering into interest rate swap agreements that are used to convert floating interest rate borrowings to fixed interest rates. Such interest rate swaps are entered into with the objective of hedging the risk of interest rate fluctuations in respect of underlying borrowings. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Interest rate swap contracts have been recorded on the Statement of Financial Position at their fair value in accordance with AASB 139 Financial Instruments: Recognition and Measurement. The AIFRS documentation, designation and effectiveness requirements cannot be met in all circumstances, as a result derivatives do not qualify for hedge accounting and are recorded at fair value through the Statement of Income.

The change in fair value of derivatives this year has been a result of falling interest rates and volatility in interest rate curves.

\* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Miller Street Holding Trust

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 24. CAPITAL MANAGEMENT (continued)

A summary of the Group's key banking covenants are set out below:

| Covenant                                     | Covenant Requirement               | Key Details                                                                                                         |
|----------------------------------------------|------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| <b>Nature of facilities</b>                  | Secured, non recourse <sup>1</sup> | The Group has no unsecured facilities                                                                               |
| <b>ICR</b>                                   | > 1.5                              | Net rental income / interest expense (on bank loans)                                                                |
| <b>ICR Covenant for Storage Assets</b>       | ≥ 1.5                              | Underlying EBITDA (ex fair value P&L / interest expense paid to banks for loans secured by self storage properties) |
| <b>Group ICR</b>                             | ≥ 2.0 <sup>2</sup>                 | Group EBITDA (ex fair value P&L and impairment to goodwill and intangibles) / total interest expense                |
| <b>Total Gearing</b>                         | ≤ 50% <sup>2</sup>                 | Total liabilities (net of cash) / total tangible assets (net of cash)                                               |
| <b>LVR</b>                                   | ≤ 55% to 67.5% <sup>3</sup>        | Drawn loan / bank accepted valuations                                                                               |
| <b>Gearing ratio on a look through basis</b> | ≤ 60% <sup>4</sup>                 | ABP gearing plus gearing from proportional consolidation of equity accounted investments                            |

1. There are no market capitalisation covenants.
2. Condition of the current \$400m Syndicated facility, \$100m Working Capital facility and the \$70m Bilateral facility.
3. The 67.5% LVR for the new Working Capital Facility will step down to 65.0% from 1 July 2014.
4. Condition of the \$100m Working Capital Facility and \$400m Syndicated facility.

## Consolidated Funds

The Capital Management approach and strategies employed by the Group are also deployed for the funds ABP manages and which are consolidated in these accounts – AHF, ADIF II and AMSHT (or the Consolidated Funds).

Points unique to the capital management of these respective funds are:

- The Consolidated Funds via their responsible entities comply with capital and distribution requirements of their constitutions and/or deeds, the capital requirements of relevant regulatory authorities and continue to operate as going concerns
- There is currently no DRP for any of the Funds.

A summary of banking covenants – by fund – is set out below:

| Covenant                    | AHF                   | ADIF II                  | AMSHT                 |
|-----------------------------|-----------------------|--------------------------|-----------------------|
| <b>Nature of facilities</b> | Secured, non recourse | Secured, non recourse    | Secured, non recourse |
| <b>LVR Covenant</b>         | ≤ 55% <sup>1</sup>    | ≤ 50% - 60% <sup>3</sup> | ≤ 57.5% <sup>3</sup>  |
| <b>ICR Covenant</b>         | ≥ 1.5 <sup>2</sup>    | > 1.5 <sup>4</sup>       | > 1.5 <sup>4</sup>    |

1. Drawn loan less cash secured / bank accepted valuations
2. Underlying EBITDA (ex fair value P&L) / interest expense paid to banks
3. Drawn loan / bank accepted valuations
4. Net rental income / interest expense paid to banks

# NOTES TO THE FINANCIAL STATEMENTS

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## 25. INTEREST IN SUBSIDIARIES

(a) Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries with material non-controlling interest:

| Name of Entity                     | Principal place of business | % held by NCI | Profit/(loss) allocated to NCI \$'000 | Accumulated NCI \$'000 |
|------------------------------------|-----------------------------|---------------|---------------------------------------|------------------------|
| <b>30 June 2012</b>                |                             |               |                                       |                        |
| Abacus Hospitality Fund            | Australia                   | 90            | 3,874                                 | 32,039                 |
| Abacus Storage Fund*               | Australia                   | 80            | (3,098)                               | -                      |
| Abacus Miller Street Holding Trust | Australia                   | 70            | 358                                   | 5,375                  |
|                                    |                             |               | <b>1,134</b>                          | <b>37,414</b>          |
| <b>30 June 2011</b>                |                             |               |                                       |                        |
| Abacus Hospitality Fund            | Australia                   | 90            | (6,557)                               | 33,803                 |
| Abacus Storage Fund                | Australia                   | 80            | (15,605)                              | 92,777                 |
| Abacus Miller Street Holding Trust | Australia                   | 70            | (1,156)                               | 6,335                  |
|                                    |                             |               | <b>(23,318)</b>                       | <b>132,915</b>         |

The country of incorporation is the same as the principal place of business, unless stated otherwise.

\* The Abacus Storage Fund merged with the Abacus Property Group in March 2012. Therefore, the only profit and loss had material non-controlling interest for the period 1 July 2011 to 6 March 2012 with the statement of financial position being Nil.

## Significant Restrictions

There are no significant restrictions.

(b) Summarised financial information about subsidiary with material NCI

Summarised statement of financial position

|                                | 2012<br>\$'000  | 2011<br>\$'000  |
|--------------------------------|-----------------|-----------------|
| <b>Abacus Hospitality Fund</b> |                 |                 |
| Current assets                 | 27,326          | 12,285          |
| Current liabilities            | (7,461)         | (7,090)         |
| <b>Net current assets</b>      | <b>19,865</b>   | <b>5,195</b>    |
| Non-current assets             | 152,190         | 159,414         |
| Non-current liabilities        | (184,925)       | (170,267)       |
| <b>Net non-current assets</b>  | <b>(32,735)</b> | <b>(10,853)</b> |
| <b>Net deficiency</b>          | <b>(12,870)</b> | <b>(5,658)</b>  |



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 25. INTEREST IN SUBSIDIARIES (continued)

(b) Summarised financial information about subsidiary with material NCI (continued)

|                                           | 2012            | 2011            |
|-------------------------------------------|-----------------|-----------------|
|                                           | \$'000          | \$'000          |
| <b>Abacus Miller Street Holding Trust</b> |                 |                 |
| Current assets                            | 63,365          | 2,503           |
| Current liabilities                       | (828)           | (34,526)        |
| <b>Net current assets</b>                 | <b>62,537</b>   | <b>(32,023)</b> |
| Non-current assets                        | -               | 62,808          |
| Non-current liabilities                   | (54,859)        | (21,727)        |
| <b>Net non-current assets</b>             | <b>(54,859)</b> | <b>41,081</b>   |
| <b>Net assets</b>                         | <b>7,678</b>    | <b>9,058</b>    |

Summarised statement of comprehensive income

|                                               | 2012           | 2011         |
|-----------------------------------------------|----------------|--------------|
|                                               | \$'000         | \$'000       |
| <b>Abacus Hospitality Fund</b>                |                |              |
| Revenue                                       | 51,064         | 60,163       |
| <b>Profit / (loss) before income tax</b>      | <b>(9,802)</b> | <b>8,687</b> |
| Income tax expense                            | 8              | 733          |
| <b>Profit / (loss) after tax</b>              | <b>(9,794)</b> | <b>9,420</b> |
| Other comprehensive income                    | 4,789          | (1,646)      |
| <b>Total comprehensive income / (expense)</b> | <b>(5,005)</b> | <b>7,774</b> |

|                                          | 2012         | 2011          |
|------------------------------------------|--------------|---------------|
|                                          | \$'000       | \$'000        |
| <b>Abacus Storage Fund</b>               |              |               |
| Revenue                                  | 28,954       | 40,393        |
| <b>Profit / (loss) before income tax</b> | <b>4,667</b> | <b>23,262</b> |
| Income tax expense                       | (890)        | (3,327)       |
| <b>Profit / (loss) after tax</b>         | <b>3,777</b> | <b>19,935</b> |
| Other comprehensive income               | 2,544        | (554)         |
| <b>Total comprehensive income</b>        | <b>6,321</b> | <b>19,381</b> |

|                                               | 2012         | 2011         |
|-----------------------------------------------|--------------|--------------|
|                                               | \$'000       | \$'000       |
| <b>Abacus Miller Street Holding Trust</b>     |              |              |
| Revenue                                       | 5,627        | 5,939        |
| <b>Loss before income tax</b>                 | <b>(515)</b> | <b>1,652</b> |
| Income tax expense                            | -            | -            |
| <b>Loss after tax</b>                         | <b>(515)</b> | <b>1,652</b> |
| Other comprehensive income                    | -            | -            |
| <b>Total comprehensive income / (expense)</b> | <b>(515)</b> | <b>1,652</b> |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 26. RELATED PARTY DISCLOSURES

### (a) *Subsidiaries*

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

| Entity                                                    | equity interest |           |
|-----------------------------------------------------------|-----------------|-----------|
|                                                           | 2012<br>%       | 2011<br>% |
| <i>Abacus Group Holdings Limited and its subsidiaries</i> |                 |           |
| Abacus (343 George St Sydney) Pty Ltd                     | 100             | 100       |
| Abacus AAVT Pty Ltd                                       | 100             | 100       |
| Abacus Airways NZ Trust                                   | 100             | 100       |
| Abacus Castle Hill Trust                                  | 100             | -         |
| Abacus CIH Pty Ltd                                        | 100             | 100       |
| Abacus Finance Pty Limited                                | 100             | 100       |
| Abacus Forrest Lodge Trust                                | 100             | 100       |
| Abacus Funds Management Limited                           | 100             | 100       |
| Abacus Griffith Avenue Trust                              | 100             | 100       |
| Abacus HP Operating Co Pty Ltd                            | 100             | 100       |
| Abacus HP Trust                                           | 100             | 100       |
| Abacus Investment Pty Ltd                                 | 100             | 100       |
| Abacus Jigsaw Investments Pty Ltd                         | 100             | 100       |
| Abacus Mariners Lodge Trust                               | 100             | 100       |
| Abacus Mortgage Fund                                      | 100             | 100       |
| Abacus Mount Druitt Trust                                 | 100             | 100       |
| 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       |
| Abacus Property Income Fund                               | 100             | 100       |
| Abacus Property Services Pty Ltd                          | 100             | 100       |
| Abacus SP Note Facility Pty Ltd                           | 100             | 100       |
| Abacus Storage Funds Management Limited                   | 100             | 100       |
| Abacus Unitel Pty Ltd                                     | 100             | 100       |
| Abacus Unitel Trust                                       | 100             | 100       |
| Amiga Pty Limited                                         | 100             | 100       |
| Bay Street Brighton Unit Trust                            | 100             | 100       |
| Birkenhead Point Marina Pty Ltd                           | 50              | 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       |
| <i>Abacus Group Projects Limited and its subsidiaries</i> |                 |           |
| Abacus Property Pty Ltd                                   | 100             | 100       |
| Abacus Allara Street Trust                                | 50              | 50        |
| Abacus Jigsaw Holdings Pty Limited                        | 50              | 50        |
| Abacus Repository Trust                                   | 50              | 50        |
| Abacus Ventures Trust                                     | 51              | 51        |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 26. RELATED PARTY DISCLOSURES (continued)

### (a) Subsidiaries (continued)

| Entity                                           | equity interest |           |
|--------------------------------------------------|-----------------|-----------|
|                                                  | 2012<br>%       | 2011<br>% |
| <i>Abacus Trust and its subsidiaries:</i>        |                 |           |
| Abacus 1769 Hume Highway Trust                   | 100             | 100       |
| Abacus Alderley Trust                            | 100             | 100       |
| Abacus Alexandria Trust                          | 100             | 100       |
| Abacus Ashfield Mall Property Trust              | 100             | 100       |
| Abacus Birkenhead Point Trust                    | 100             | 100       |
| Abacus Campbell Property Trust                   | 100             | 100       |
| Abacus Epping Park Property Trust                | 100             | 100       |
| Abacus Greenacre Trust                           | 100             | 100       |
| Abacus Heitman Investment Trust                  | 100             | 100       |
| Abacus Hurstville Trust                          | 100             | 100       |
| Abacus Industrial Property Trust                 | 100             | 100       |
| Abacus Lisarow Trust                             | 100             | 100       |
| Abacus Liverpool Plaza Trust                     | 100             | 100       |
| Abacus Macquarie Street Trust                    | 100             | 100       |
| Abacus Moorabbin Trust                           | 100             | 100       |
| Abacus Moore Street Trust                        | 100             | 100       |
| Abacus Northshore Trust 1                        | 25              | 25        |
| Abacus Northshore Trust 2                        | 25              | 25        |
| Abacus North Sydney Car park Trust               | 100             | 100       |
| Abacus Premier Parking Trust                     | 100             | 100       |
| Abacus Sanctuary Holdings Pty Limited            | 25              | 25        |
| Abacus Shopping Centre Trust                     | 100             | 100       |
| Abacus Smeaton Grange Trust                      | 100             | 100       |
| Abacus SP Fund                                   | 100             | 100       |
| Abacus Varsity Lakes Trust                       | 100             | 100       |
| Abacus Virginia Trust                            | 100             | 100       |
| Abacus Westpac House Trust                       | 100             | 100       |
| Abacus 14 Martin Place Trust                     | 100             | 100       |
| Abacus 171 Clarence Street Trust                 | 100             | 100       |
| Abacus 309 George Street Trust                   |                 |           |
| <i>Abacus Income Trust and its subsidiaries:</i> |                 |           |
| Abacus Campbellfield Trust                       | 100             | 100       |
| Abacus Chermside Trust                           | 100             | 100       |
| Abacus Eagle Farm Trust                          | 100             | 100       |
| Abacus Independent Retail Property Trust         | 75              | 75        |
| Abacus Lennons Plaza Trust                       | 100             | 100       |
| Abacus Mertz Apartments                          | 100             | 100       |
| Abacus Retail Property Trust                     | 100             | 100       |
| Abacus Stafford Trust                            | 100             | 100       |
| Abacus Tamworth Retail Trust                     | 100             | 100       |
| Abacus Wollongong Property Trust                 | 100             | 100       |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 26. RELATED PARTY DISCLOSURES (continued)

### (a) Subsidiaries (continued)

| Entity                                                         | equity interest |           |
|----------------------------------------------------------------|-----------------|-----------|
|                                                                | 2012<br>%       | 2011<br>% |
| <i>Abacus Storage Operations Limited and its subsidiaries:</i> |                 |           |
| Balmain Storage Pty Limited                                    | 100             | 100       |
| Abacus Storage (Bulleen and Greensborough) Pty Limited         | 100             | 100       |
| Abacus Storage NZ Operations Pty Limited                       | 100             | 100       |
| Abacus Storage Solutions Pty Limited                           | 100             | 100       |
| Abacus Storage Solutions NZ Pty Limited                        | 100             | 100       |
| Abacus USI C Trust                                             | 100             | 100       |
| Abacus U Stow It A1 Trust                                      | 100             | 100       |
| Abacus U Stow It B1 Trust                                      | 100             | 100       |
| Abacus U Stow It A2 Trust                                      | 100             | 100       |
| Abacus U Stow It B2 Trust                                      | 100             | 100       |
| U Stow It Holdings Limited                                     | 100             | 100       |
| U Stow It Pty Limited                                          | 100             | 100       |
| <i>Abacus Storage Property Trust and its subsidiary:</i>       |                 |           |
| Abacus Storage NZ Property Trust                               | 100             | 100       |
| Abacus Diversified Income Fund II                              | -               | -         |
| Abacus Hospitality Fund                                        | 10              | 10        |
| Abacus Miller Street Holding Trust                             | 30              | 30        |

### *Subsidiaries controlled by the Group with material non-controlling interest*

**Abacus Hospitality Fund:** Based upon work undertaken by the Group in assessing the impact of AASB 10, the Group is deemed under the standard to have control of AHF based upon the aggregate impact of (a) the Group's role as responsible entity of AHF and (b) the size and variable nature of returns arising from the Group's loans to AHF (as the loans provided by the Group to AHF rank pari passu for downside but not on upside at fund wind up).

**Abacus Diversified Income Fund II:** Based upon work undertaken by the Group in assessing the impact of AASB 10, the Group is deemed under the new standard to have control of ADIFII based upon the aggregate impact of (a) the Group's role as responsible entity of ADIFII (b) the size and variable nature of returns arising from the Group's loans to ADIFII (as the Abacus Working Capital Facility provided by the Group to ADIFII ranks pari passu on downside, but not the upside, at wind up) and (c) the capital and income guarantees made by the Group to unitholders of ADIFII under the ADIFII offer documents.

**Abacus Miller Street Holding Trust:** Based upon work undertaken by the Group in assessing the impact of AASB 10, the Group is deemed under the new standard to have control of AMSHT a) the Group's role as responsible entity of AMSHT and (b) the Group's 30% direct interest in the fund and the relative dispersion of the remaining interests not held by the Group.

### (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 28(b).

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 26. RELATED PARTY DISCLOSURES (continued)

### (d) Transactions with related parties

|                                                                                   | 2012    | 2011    |
|-----------------------------------------------------------------------------------|---------|---------|
|                                                                                   | \$'000  | \$'000  |
| <b>Transactions with related parties other than associates and joint ventures</b> |         |         |
| <b>Revenues</b>                                                                   |         |         |
| Asset management fees received / receivable                                       | -       | 42      |
| Property management fees received / receivable                                    | 153     | 118     |
| Interest revenue from related funds                                               | -       | 498     |
| <b>Transactions with associates and joint ventures</b>                            |         |         |
| <b>Revenues</b>                                                                   |         |         |
| Management fees received / receivable from joint ventures                         | 1,394   | 480     |
| Management fees received / receivable from associates                             | 557     | 646     |
| Distributions received / receivable from joint ventures                           | 5,818   | 1,382   |
| Interest revenue from associates                                                  | 3,507   | 2,817   |
| Interest revenue from joint ventures                                              | 1,122   | 2,965   |
| <b>Other transactions</b>                                                         |         |         |
| Loan advanced to associates                                                       | (8,186) | (5,117) |
| Loan repayments from associates                                                   | 4,527   | 3,739   |
| Loan advanced to joint ventures                                                   | (134)   | (1,471) |
| Loan repayments from joint ventures                                               | 2,860   | 2,889   |
| Loan advanced from joint ventures                                                 | 1,929   | -       |
| Loan repayments to joint ventures                                                 | -       | (1,299) |
| Impairment charge - Abacus Wodonga Land Fund                                      | (3,507) | -       |

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 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 41% of the ordinary securities of the Group (2011: 37%).

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 | 248,455 |
| 14 Martin Place                  | Tenants in common       | 3% of gross rental | 147,067 |
| 4 Martin Place                   | 100% owned by Kirsh     | 3% of gross rental | 153,326 |
| Birkenhead Point Marina Pty Ltd  | Joint Venture           | 3% of gross rental | 59,860  |

During the year, Abacus Funds Management Limited charged an asset management fee to the following entities:

| Property                         | Relationship with Kirsh | Charge per annum     | Amt \$  |
|----------------------------------|-------------------------|----------------------|---------|
| Birkenhead Point Shopping Centre | Tenants in common       | 0.2% of gross assets | 197,126 |

Mrs Myra Salkinder is a non-executive director of the Group and is a senior executive of Kirsh.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 27. MERGER OF ASF

On 24 February 2012 securityholders in both Abacus Property Group and Abacus Storage Fund (an unlisted fund managed by Abacus Storage Funds Management Limited as responsible entity) agreed to merge the two entities effective 6 March 2012. The merger resulted in the shares in Abacus Storage Operations Limited and the units in Abacus Storage Property Trust being stapled to the shares in Abacus Group Holdings Limited and Abacus Group Projects Limited and units in Abacus Trust and Abacus Income Trust under a stapled security listed on the Australian Securities Exchange.

The net assets of Abacus Storage Fund at the date of the merger are set out below:

|                                       | \$'000         |
|---------------------------------------|----------------|
| <b>CURRENT ASSETS</b>                 |                |
| Cash and cash equivalents             | 1,528          |
| Trade and other receivables           | 688            |
| Other                                 | 556            |
| <b>TOTAL CURRENT ASSETS</b>           | <b>2,772</b>   |
| <b>NON-CURRENT ASSETS</b>             |                |
| Investment properties                 | 340,331        |
| Property, plant and equipment         | 780            |
| <b>TOTAL NON-CURRENT ASSETS</b>       | <b>341,111</b> |
| <b>TOTAL ASSETS</b>                   | <b>343,883</b> |
| <b>CURRENT LIABILITIES</b>            |                |
| Trade and other payables              | 12,909         |
| Derivatives at fair value             | 53             |
| Income tax payable                    | 170            |
| <b>TOTAL CURRENT LIABILITIES</b>      | <b>13,132</b>  |
| <b>NON-CURRENT LIABILITIES</b>        |                |
| Interest-bearing loans and borrowings | 220,154        |
| Derivatives at fair value             | 3,879          |
| Deferred tax liabilities              | 4,654          |
| <b>TOTAL NON-CURRENT LIABILITIES</b>  | <b>228,687</b> |
| <b>TOTAL LIABILITIES</b>              | <b>241,819</b> |
| <b>NET ASSETS</b>                     | <b>102,064</b> |

The net assets of Abacus Storage Fund had been already consolidated by Abacus Property Group following its adoption of AASB 10, 11 and 12 which was applied retrospectively as at 1 July 2010.

To facilitate the merger, a series of stapling distributions were made by Abacus Trust, Abacus Income Trust and Abacus Storage Property Trust to their respective unitholders. Abacus Trust paid a capital distribution of \$22.6 million (\$0.0585 cents per unit) to its unitholders and Abacus Income Trust paid a capital distribution of \$15.1 million (\$0.0390 cents per unit) to its unitholders on the implementation date which was then applied to acquire approximately 377.4 million units in Abacus Storage Property Trust and approximately 377.4 million shares in Abacus Storage Operations Limited on behalf of existing Abacus Trust and Abacus Income Trust unitholders. Abacus Storage Property Trust also paid a capital distribution of \$18.8m (\$0.50 cents per unit) to its unitholders on the implementation date which was then applied to acquire approximately 37.6 million units in Abacus Trust and Abacus Income Trust and approximately 37.6 million shares in Abacus Group Holdings Limited and Abacus Group Projects Limited on behalf of existing Abacus Storage Property Trust unitholders.

**NOTES TO THE FINANCIAL STATEMENTS****30 JUNE 2012****27. MERGER OF ASF (continued)**

In addition approximately 17.4 million units in Abacus Storage Property Trust and shares in Abacus Storage Operations Limited were distributed to existing Abacus Trust and Abacus Income Trust unitholders.

The result of making the distributions and subscription for shares and units in respective Group entities was that each of Abacus Trust, Abacus Income Trust, Abacus Storage Property Trust, Abacus Group Holdings Limited, Abacus Group Projects Limited and Abacus Storage Operations Limited had 424.3 million units or shares (as the case may be) on issue at 6 March 2012.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 28. KEY MANAGEMENT PERSONNEL

### (a) Compensation for Key Management Personnel

|                              | 2012             | 2011             |
|------------------------------|------------------|------------------|
|                              | \$               | \$               |
| Short-term employee benefits | 5,879,867        | 5,329,634        |
| Post-employment benefits     | 337,730          | 537,515          |
| Other long-term benefits     | 94,306           | 95,369           |
| Security-based payments      | -                | 53,524           |
| <b>Total</b>                 | <b>6,311,903</b> | <b>6,016,042</b> |

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

Securities held in Abacus Property Group (number)

| 30 June 12        | Balance<br>1 July 11 | Purchases/<br>(sales) | Balance<br>30 June 12 |
|-------------------|----------------------|-----------------------|-----------------------|
| <b>Directors</b>  |                      |                       |                       |
| J Thame           | 55,364               | -                     | 55,364                |
| F Wolf            | 2,837,464            | -                     | 2,837,464             |
| W Bartlett        | 22,806               | -                     | 22,806                |
| D Bastian         | 900,000              | (355,000)             | 545,000               |
| M Irving          | 26,718               | 2,345                 | 29,063                |
| <b>Executives</b> |                      |                       |                       |
| R de Aboitiz      | 3,939                | 29,486                | 33,425                |
| L Lloyd           | 11,185               | (11,185)              | -                     |
| P Strain          | 32,590               | 24,987                | 57,577                |
| E Varejes         | 61,975               | 13,439                | 75,414                |
| <b>Total</b>      | <b>3,952,041</b>     | <b>(295,928)</b>      | <b>3,656,113</b>      |

| 30 June 11        | Balance<br>1 July 10 | Consolidation       | Retired         | Purchases/<br>(sales) | Balance<br>30 June 11 |
|-------------------|----------------------|---------------------|-----------------|-----------------------|-----------------------|
| <b>Directors</b>  |                      |                     |                 |                       |                       |
| 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                |
| <b>Executives</b> |                      |                     |                 |                       |                       |
| 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                |
| <b>Total</b>      | <b>21,496,460</b>    | <b>(17,197,169)</b> | <b>(71,266)</b> | <b>(275,984)</b>      | <b>3,952,041</b>      |

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 2012 or in the prior year.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 28. KEY MANAGEMENT PERSONNEL (continued)

### (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.

## 29. SECURITY BASED PAYMENTS

### (a) Recognised security payment expenses

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

|                                                        | 2012<br>\$'000 | 2011<br>\$'000 |
|--------------------------------------------------------|----------------|----------------|
| Expense arising from cash-settled payment transactions | -              | 83             |

The security-based payment are described below.

### (b) Type of security-based payment plan

#### *Security Appreciation Rights (SARs)*

SARs issued under the Group's long term incentive plan can only be settled in cash and 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. A SAR is 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

As set out in the remuneration report all of the SARs were cancelled during the year end and the following table illustrates movements in SARs:

|                                           | 2012<br>No.  | 2011<br>No.      |
|-------------------------------------------|--------------|------------------|
| Opening balance                           | 2,976,923    | -                |
| Granted during the year                   | 12,785,714   | 2,976,923        |
| Cancelled during the year                 | (15,762,637) | -                |
| <b>Outstanding at the end of the year</b> | <b>-</b>     | <b>2,976,923</b> |
| <b>Exercisable at the end of the year</b> | <b>-</b>     | <b>-</b>         |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 30. OTHER FINANCIAL LIABILITIES

### Abacus Property Group\*

The Group has provided the following guarantees to the ADIFII:

| Unit Type      | Cash Distribution Yield Guarantee                                                                                                | Capital Return Guarantee                                                                              |
|----------------|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Class A \$1.00 | 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. |
| Class B \$1.00 | 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).                                      |
| Class C \$0.75 | 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.

As a result of the consolidation of ADIFII under AASB10 the underwritten capital guarantee results in ADIFII's units on issue being classified as a liability and at the end of the period the value was \$56.3 million (30 June 2011: \$49.9 million). The ADIFII distribution of \$4.4 million (2011: \$3.7 million) is included in other expenses in note 7(d).

The offer document for ADIFII was closed in December 2011 and no further equity will be raised. The actual guarantee exposure (if any) will be determined at the maturity date of the guarantee in 2013 (c20% of the total guarantee exposure) and between 1 July 2016 and 30 June 2017 (c80% of the total guarantee exposure).

\* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Miller Street Holding Trust

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 31. COMMITMENTS AND CONTINGENCIES

### Abacus Property Group\*

#### 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-cancellable operating lease as at 30 June are as follows:

|                                             | 2012       | 2011         |
|---------------------------------------------|------------|--------------|
|                                             | \$'000     | \$'000       |
| Within one year                             | 374        | 747          |
| After one year but not more than five years | -          | 374          |
| More than five years                        | -          | -            |
|                                             | <b>374</b> | <b>1,121</b> |

#### Operating lease commitments – Group as lessor

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

|                                             | 2012           | 2011           |
|---------------------------------------------|----------------|----------------|
|                                             | \$'000         | \$'000         |
| Within one year                             | 88,768         | 91,647         |
| After one year but not more than five years | 245,854        | 240,928        |
| More than five years                        | 108,106        | 112,062        |
|                                             | <b>442,728</b> | <b>444,637</b> |

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.

#### Capital and Other commitments

At 30 June 2012 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 planned and/or contracted at reporting date but not recognised as liabilities are as follows:

|                                                        | 2012          | 2011          |
|--------------------------------------------------------|---------------|---------------|
|                                                        | \$'000        | \$'000        |
| Within one year                                        |               |               |
| - gross settlement of property acquisitions            | 7,375         | 24,005        |
| - property refurbishment costs                         | 12,605        | 5,123         |
| - property development costs                           | 13,417        | 9,900         |
| - unused portion of loan facilities to outside parties | 4,996         | 4,127         |
|                                                        | <b>38,393</b> | <b>43,155</b> |

\* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Miller Street Holding Trust

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

## 31. COMMITMENTS AND CONTINGENCIES (continued)

### Capital and Other commitments (continued)

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.

|                                | 2012         | 2011         |
|--------------------------------|--------------|--------------|
|                                | \$'000       | \$'000       |
| <b>Contingent liabilities:</b> |              |              |
| Within one year                |              |              |
| - corporate guarantee          | 6,750        | 4,000        |
|                                | <b>6,750</b> | <b>4,000</b> |

### Abacus Diversified Income Fund II

#### Operating lease commitments – as lessor

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

|                                             | 2012          | 2011          |
|---------------------------------------------|---------------|---------------|
|                                             | \$'000        | \$'000        |
| Within one year                             | 14,168        | 12,246        |
| After one year but not more than five years | 40,714        | 47,844        |
| More than five years                        | 16,143        | 23,180        |
|                                             | <b>71,025</b> | <b>83,270</b> |

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.

### Capital and Other commitments

|                                | 2012         | 2011         |
|--------------------------------|--------------|--------------|
|                                | \$'000       | \$'000       |
| Within one year                |              |              |
| - property refurbishment costs | 1,745        | 3,215        |
|                                | <b>1,745</b> | <b>3,215</b> |

### Abacus Miller Street Holding Trust

#### Operating lease commitments – as lessor

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

|                                             | 2012          | 2011          |
|---------------------------------------------|---------------|---------------|
|                                             | \$'000        | \$'000        |
| Within one year                             | 5,047         | 5,259         |
| After one year but not more than five years | 18,211        | 15,476        |
| More than five years                        | 3,818         | 9,290         |
|                                             | <b>27,076</b> | <b>30,025</b> |

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.

**NOTES TO THE FINANCIAL STATEMENTS**

**30 JUNE 2012**

**32. AUDITOR'S REMUNERATION**

|                                                                                                  | 2012             | 2011             |
|--------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                  |                  | Restated*        |
|                                                                                                  | \$               | \$               |
| 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 | 958,000          | 958,000          |
| - transactional advisory services                                                                | 262,300          | 47,441           |
|                                                                                                  | <b>1,220,300</b> | <b>1,005,441</b> |

\*Certain amounts shown here do not correspond to the 2011 financial statements as they reflect required adjustments resulting from the adoption of AASB10 as set out in note 2.

**33. EVENTS AFTER BALANCE SHEET DATE**

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.

## **DIRECTORS' DECLARATION**

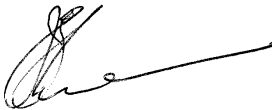
In accordance with a resolution of the Directors of Abacus Group Holdings Limited, we state that:

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 2012 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;
- 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 2012.

On behalf of the Board



John Thame  
Chairman  
Sydney, 28 August 2012



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 2012, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow 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 consolidated 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 consolidated 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:

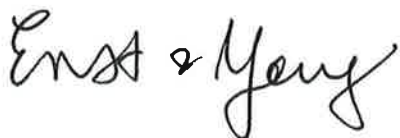
- a. the financial report of Abacus Group Holdings Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - ii complying with 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 9 to 21 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A handwritten signature in black ink, appearing to read 'K. Zdrilic'.

K. Zdrilic  
Partner  
Sydney  
28 August 2012

# Abacus Property Group

## 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](http://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

Induction procedures are in place for all staff (including senior executives) that include a briefing on relevant aspects of Abacus' financial position, strategies, operations and risk management policies as well as the respective rights, duties and responsibilities of the Board and senior executives,

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;

# Abacus Property Group

## Corporate Governance Report

- 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 independent non-executive director has a relationship significant enough to compromise their independence on the Board. Non-executive directors confer regularly without management present.

Any change in the independence of a non-executive director would be disclosed and explained to the market in a timely manner.

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.

### 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 Abacus 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. The Diversity Policy is available on the Abacus website.

Over 45% of Abacus' employees are women. Abacus has female representation at both the Board (17%) and senior management (11%) level. In 2011, the Board set female representation at Board level as a priority and this was met in April 2011 with the appointment of a female director. In the current period, Abacus has recruited from a diverse pool of candidates for all positions filled during the year and has a number of employees with flexible employment arrangements to take account of domestic responsibilities.

# Abacus Property Group

## Corporate Governance Report

### 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 Abacus website.

#### Recommendation 3.2

The Diversity Policy is available on the Abacus 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.

Over 45% of Abacus' employees are women. In 2011, the Board set female representation at Board level and senior management as a priority. Abacus currently has female representation at both the Board (17%) and senior management (11%) level. Abacus has recruited from a diverse pool of candidates for all positions filled during the year and has a number of employees with flexible employment arrangements to take account of domestic responsibilities.

### **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 one non-independent non-executive director 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 Abacus 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.

# **Abacus Property Group**

## **Corporate Governance Report**

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

### **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 Abacus 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 Abacus 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.

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 independent consultant 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.

# **Abacus Property Group Corporate Governance Report**

## **Principle 8: Remunerate fairly and responsibly**

### *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 Abacus 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

Abacus Property Group is made up of the Abacus Trust, Abacus Income Trust, Abacus Storage Property Trust, Abacus Group Holdings Limited, Abacus Group Projects Limited and Abacus Storage Operations Limited. The responsible entity of the Abacus Trust and Abacus Income Trust is Abacus Funds Management Limited. The responsible entity of the Abacus Storage Property Trust is Abacus Storage Funds Management Limited. Unless specified otherwise, the following information is current as at 23 August 2012.

|                                                                                                                                                                                                                                          |                                                                                         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Number of holders of ordinary fully paid stapled securities                                                                                                                                                                              | 9,794                                                                                   |
| 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                                                                                                                                        | 639                                                                                     |
| Secretary, Abacus Funds Management Limited<br>Secretary, Abacus Storage Funds Management Limited<br>Secretary, Abacus Group Holdings Limited<br>Secretary, Abacus Group Projects Limited<br>Secretary, Abacus Storage Operations Limited | Ellis Varejes                                                                           |
| Registered office<br>Abacus Funds Management Limited<br>Abacus Storage Funds Management Limited<br>Abacus Group Holdings Limited<br>Abacus Group Projects Limited<br>Abacus Storage Operations Limited                                   | Level 34, Australia Square<br>264-278 George Street<br>Sydney NSW 2000<br>612 9253 8600 |
| Registry                                                                                                                                                                                                                                 | Boardroom Pty Limited<br>Level 7, 207 Kent Street<br>Sydney NSW 2000<br>(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 | 178,459,600          |
| Perpetual Limited                | 39,473,995           |

## SECURITIES REGISTER

| Number of Securities | Number of Securityholders |
|----------------------|---------------------------|
| 1-1,000              | 1,443                     |
| 1,001-5,000          | 3,615                     |
| 5,001-10,000         | 2,318                     |
| 10,001-100,000       | 2,322                     |
| 100,001-over         | 96                        |
| <b>Totals</b>        | <b>9,794</b>              |

## TOP 20 LARGEST SECURITYHOLDINGS

| Holder Name                                                          | Number of securities | % issued securities |
|----------------------------------------------------------------------|----------------------|---------------------|
| CALCULATOR AUSTRALIA PTY LIMITED <CALCULATOR AUSTRALIA A/C>          | 144,888,962          | 32.569              |
| CALCULATOR AUSTRALIA PTY LIMITED <CALCULATOR AUSTRALIA A/C>          | 39,710,478           | 8.926               |
| J P MORGAN NOMINEES AUSTRALIA LIMITED                                | 35,731,683           | 8.032               |
| NATIONAL NOMINEES LIMITED                                            | 26,137,497           | 5.875               |
| RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C> | 25,119,865           | 5.647               |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                            | 18,172,358           | 4.085               |
| CITICORP NOMINEES PTY LIMITED                                        | 9,823,073            | 2.208               |
| CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>         | 8,430,088            | 1.895               |
| BNP PARIBAS NOMS PTY LTD <MASTER CUST DRP>                           | 7,418,168            | 1.667               |
| RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <APN A/C>       | 7,237,875            | 1.627               |
| AMP LIFE LIMITED                                                     | 6,660,074            | 1.497               |
| RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PIIC A/C>      | 4,204,427            | 0.945               |
| JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>               | 3,938,368            | 0.885               |
| AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>                  | 3,004,853            | 0.675               |
| EQUITY TRUSTEES LIMITED <EQT SGH PROPERTY INC FUND>                  | 2,346,193            | 0.527               |
| BNP PARIBAS NOMS PTY LTD <SMP ACCOUNTS DRP>                          | 2,171,501            | 0.488               |
| NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>                    | 1,810,804            | 0.407               |
| BNP PARIBAS NOMS PTY LTD <DRP>                                       | 1,717,492            | 0.386               |
| NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>    | 1,359,717            | 0.306               |
| PLUTEUS (NO 164) PTY LIMITED                                         | 1,102,341            | 0.248               |