

# NATURE OF BUSINESS

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Abacus Annual Report **2014**

abacus property  
group

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OUR BUSINESS  
MODEL IS  
FOCUSED ON  
UNDERSTANDING  
THE NATURE  
OF EACH ASSET  
WE CONTROL  
AND THE  
OPPORTUNITIES  
THEY PRESENT.

# ABACUS PROPERTY GROUP

At 30 June 2014, Abacus Property Group comprised Abacus Trust, Abacus Income Trust, Abacus Storage Property Trust, Abacus Group Holdings Limited, Abacus Group Projects Limited and Abacus Storage Operations Limited.

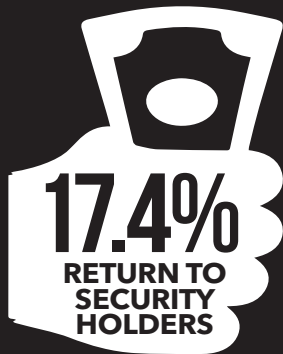
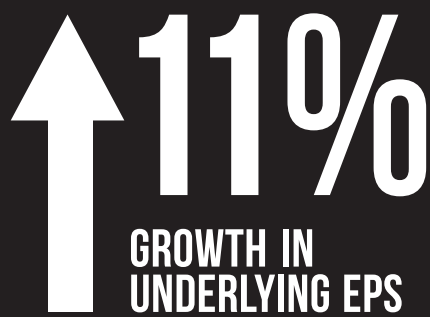
AGHL has been identified as the parent entity of the Group. The financial reports of the Group for the year ended 30 June 2014 comprise the consolidated financial reports of AGHL and its controlled entities, AT and its controlled entities, AGPL and its controlled entities, AIT and its controlled entities, ASOL and its controlled entities, ASPT and its controlled entities, Abacus Hospitality Fund and its controlled entities, Abacus Diversified Income Fund II and its controlled entities, Abacus Miller Street Holding Trust and Abacus Wodonga Land Fund.

## GLOSSARY

- **Abacus** Abacus Funds Management Limited, the responsible entity of the trusts
- **AGHL** Abacus Group Holdings Limited
- **AGPL** Abacus Group Projects Limited
- **AIT** Abacus Income Trust
- **APG** Abacus Property Group
- **ASOL** Abacus Storage Operations Limited
- **ASPT** Abacus Storage Property Trust
- **AT** Abacus Trust
- **Group** Abacus Property Group



# FINANCIAL HIGHLIGHTS

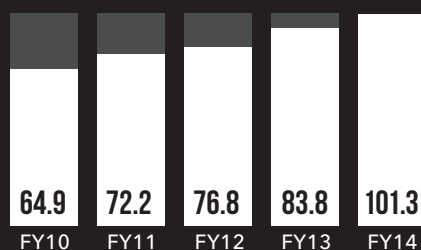


**\$1.9 BILLION**  
OF TOTAL ASSETS

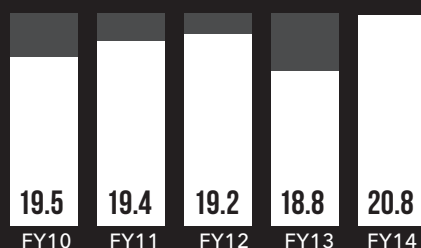
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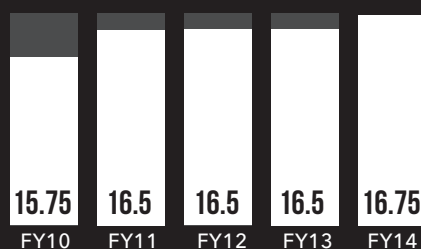
### UNDERLYING PROFIT (\$ MILLION)



### UNDERLYING EARNINGS PER SHARE (CENTS)



### DISTRIBUTIONS PER SECURITY (CENTS)



### FINANCIAL HIGHLIGHTS

|                                                | 2014     | 2013     | 2012    |
|------------------------------------------------|----------|----------|---------|
| Consolidated statutory net profit <sup>1</sup> | \$108.3m | \$61.1m  | \$8.5m  |
| Underlying profit <sup>2</sup>                 | \$101.3m | \$83.8m  | \$76.8m |
| Cashflow from operations                       | \$90.3m  | \$105.7m | \$79.6m |
| Underlying profit per security                 | 20.8c    | 18.8c    | 19.2c   |
| Cashflow from operations per security          | 18.6c    | 23.7c    | 19.9c   |
| Distributions per security <sup>3</sup>        | 16.75c   | 16.50c   | 16.50c  |
| Interest over ratio <sup>4</sup>               | 4.8x     | 3.3x     | 3.2x    |

### BALANCE SHEET METRICS

|                                   | 2014    | 2013    | 2012    |
|-----------------------------------|---------|---------|---------|
| Total assets                      | \$1.9bn | \$1.8bn | \$1.7bn |
| Net tangible assets <sup>5</sup>  | \$1.2bn | \$1.0bn | \$1.0bn |
| NTA per security                  | \$2.38  | \$2.32  | \$2.34  |
| Gearing <sup>6</sup>              | 23.4%   | 28.4%   | 28.6%   |
| Covenant gearing <sup>7</sup>     | 28.6%   | 36.6%   | 36.8%   |
| Total debt drawn                  | \$500m  | \$565m  | \$567m  |
| Debt term to maturity             | 4.6yrs  | 2.1yrs  | 3.0yrs  |
| Average cost of debt <sup>8</sup> | 5.4%    | 6.1%    | 7.3%    |

1. Excludes non controlling interests.

2. Calculated in accordance with the AICD/Finsia principles for reporting underlying profit.

3. Includes distributions declared post period end (1 July 2014, 1 July 2013 and 2 July 2012).

4. Calculated as underlying EBITDA divided by interest expense.

5. Excludes external non-controlling interests of \$36.8 million (2013: \$43.8 million 2012: \$51.0 million).

6. Bank debt minus cash divided by total assets minus cash.

7. Total liabilities (net of cash) divided by Total Tangible Assets (net of cash).

8. Weighted average base rate plus margin on drawn amount plus facility line fees.

# ABACUS SINCE 1996



Abacus' strategy is to invest our capital into core plus properties. We take advantage of value adding opportunities to drive long term total returns and maximise securityholder value. We do this through the acquisition, development and active management of property assets by:

- taking advantage of our specialised knowledge and market position as the only listed core plus investor;
- investing in core plus property investments that are expected to yield 12-15% per annum equity total returns over time;
- driving value through active management of the asset portfolio and through the reinvestment of sale proceeds.

Our core plus presence and track record has facilitated joint ventures with a number of sophisticated global third party capital providers across our portfolio of investment opportunities.

We look for assets and projects in major centres, typically on the Eastern seaboard of Australia, that are mispriced by the market that we believe have the potential for income and capital growth. Our philosophy with self-storage properties is focused on Australia and New Zealand and includes regional locations.

Our experience has shown that strict adherence to our fundamental investment criteria enables Abacus to acquire assets well and provide opportunities for outperformance while minimising downside risk to equity.

Currently Abacus has total assets of \$1.9 billion and a market capitalisation of over \$1.4 billion and is included in the S&P/ASX 200 Index.

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# 1996

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



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# 2001

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

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# 2002

In late 2002, Abacus listed the Group on the ASX. Since listing, Abacus has continued to expand its business to become one of Australia's larger listed real estate investment trusts.

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# 2006

In 2006, Abacus merged with the Abacus Diversified Income Fund, increasing Group assets to \$835 million.



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# 2008

In 2008, Abacus Property Group was included in the S&P/ASX 200 Index.

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# 2012

In 2012, Abacus merged with its largest unlisted managed fund, Abacus Storage Fund. The merger added \$330 million of quality storage assets to the Group's portfolio.

**LEFT** 33 Queen Street  
Brisbane QLD

**TOP RIGHT** Birkenhead Point  
Shopping Centre and Marina  
Sydney NSW



## THE PHILOSOPHY

Our investment objective is to provide our investors with reliable and increasing returns. We look for property assets that are capable of providing growth in:

- rental income; and
- asset value

as a result of our diligent active management.

Abacus is first and foremost a property investor seeking to extract value through active management.

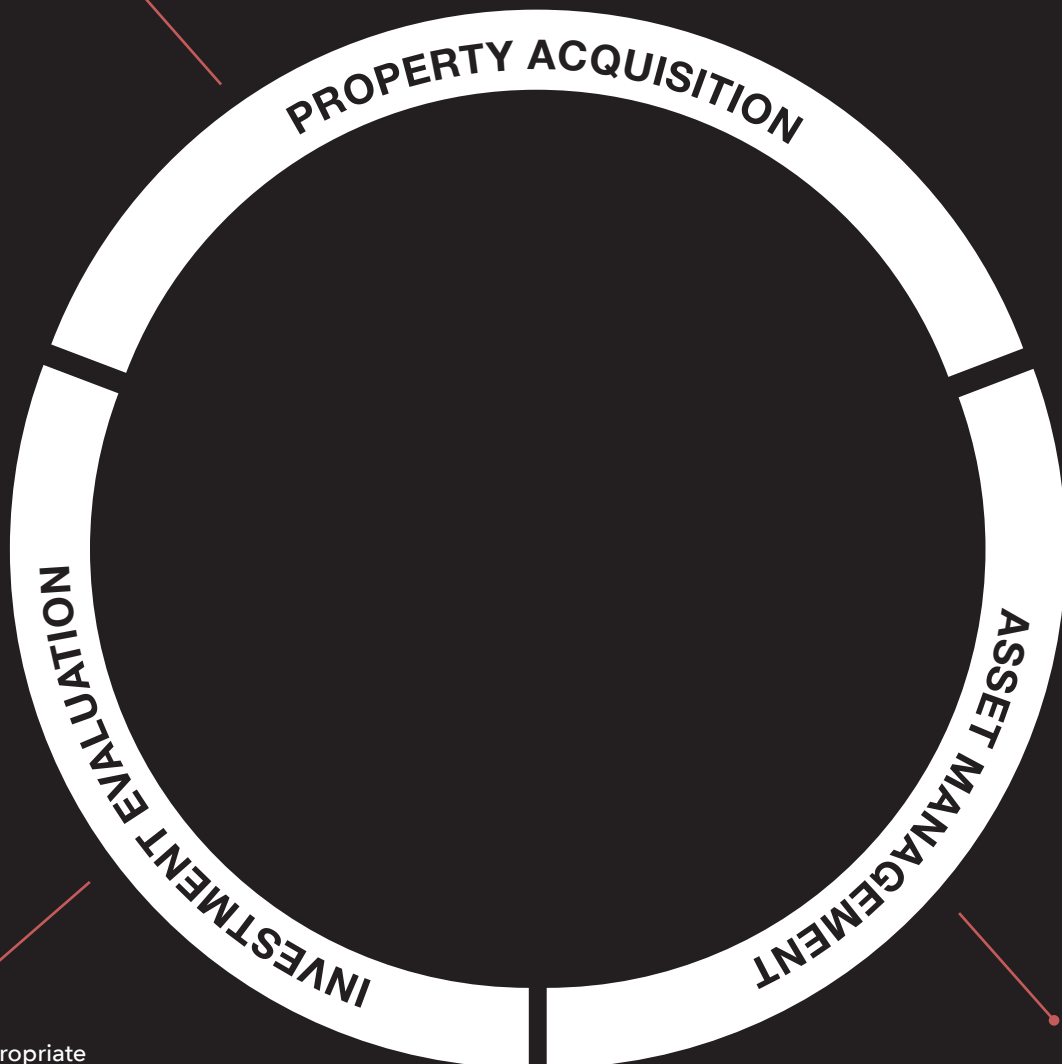
The diagram on this page depicts the investment process that Abacus undertakes.

Abacus has three integrated property businesses built on our core expertise in accessing properties and projects and actively managing them to realise their full value.

Our flat corporate structure and business model supports strong synergies across our businesses and contributes to the overall success of the businesses and the Group.

In total, Abacus has \$2.1 billion of assets under management.

Properties that have realistic prospects for increased capital growth through active management



Where appropriate asset is returned to market

Significant asset management experience is applied to drive returns



THE

COUNTRY ROAD

COUNTRY ROAD

180

safe deposit  
centre

## INVESTMENT PORTFOLIO

Abacus Property Group holds a diversified investment portfolio of office, storage, industrial and retail properties. Rental income from these properties is the largest contributor to the earnings of the Group. Abacus' disciplined property selection process maintains a firm focus on fundamental real estate value.



## PROPERTY VENTURES

Abacus participates in a range of projects by combining our capital and property expertise with the regional or sector-specific expertise of our business partners.

## FUNDS MANAGEMENT

Abacus has historically offered a wide range of high quality investment solutions designed to meet the needs of different groups of retail investors. The Group has now redirected its focus towards wholesale third party capital.

**Following the end of the year, 484 St Kilda Road was sold for \$94 million. The asset was acquired for \$68 million in 2011 in joint venture with Heitman LLC as part of our wholesale third party strategy.**



**LEFT** 180 Queen Street  
Brisbane QLD

**TOP RIGHT** City view  
from 33 Queen Street  
Brisbane QLD

**RIGHT** 484 St Kilda Road  
Melbourne VIC

# CHAIRMAN & MANAGING DIRECTOR'S REPORT

## DEAR SECURITYHOLDERS

### **This year has been pleasing for Abacus Property Group.**

We delivered another strong result with impressive growth in underlying earnings and underlying earnings per security. The balance sheet remains strong with significant acquisition capacity (which we believe will be utilised over the near term).

All business sectors have contributed to a strong result in 2014 with underlying earnings growth of 21%. Abacus delivered an improved underlying profit result of \$101 million for the financial year to 30 June 2014, growing from \$83.8 million from the prior year. We also delivered 11% growth in underlying earnings per security this year. Underlying earnings per security grew to 20.8 cents and was backed by cashflow from operations per security of 18.6 cents.

These strong results underwrote our distributions to securityholders and provided the opportunity to increase distributions to 16.75 cents per security and providing surplus capital for re-investment.

Abacus has worked hard over the last few years to ensure that securityholder distributions are covered by earnings from recurring sources. This ensures that securityholder distributions are provided from stable and secure sources that underpin the delivery of distributions to securityholders. As a result, and by prudently maintaining our distribution rate over the last 3 years, we have successfully driven recurring earnings to over 100% coverage while also increasing distributions for the year.

Abacus securityholders had another successful year with total returns of 17.4%, significantly outperforming the benchmark index the S&P/ASX 200 A-REIT Accumulation index, which includes all the major listed property groups and takes account of their price and distribution performance. The index delivered an 11.1% total return for the year.

The accompanying annual financial report includes our operating and financial review (OFR) on pages 33 to 44. The objectives of the OFR are to provide our securityholders with a narrative and analysis to supplement the financial report and assist in understanding our operations, financial position, business strategies and prospects. It contains information you need to make an informed assessment of the Group. We encourage you to read the OFR.

## **SUSTAINABILITY**

In 2013 Abacus adopted a formal sustainability protocol. The protocol is contained in the sustainability report on page 16 of the Annual Report. We have developed a number of measures that enable us to monitor and benchmark the sustainability performance of our assets. This report illustrates Abacus has systematically measured the environmental footprint from its operations and management and we intend to compare our key performance indicators over time to help us manage and reduce our consumption of natural resources. As this is the first year we have no comparable data. We encourage you to read this report.

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Abacus is well positioned to improve the environmental sustainability of our buildings through efficient property management and development and upgrade of buildings to incorporate more efficient plant and equipment. The responsible management of our buildings will also contribute to capital appreciation of those buildings over time.

## OUTLOOK

Our focus in FY15 remains the sourcing of assets and the delivery of core plus activities across our asset base and residential development projects to maintain our current growth trajectory. We have had a successful start to the year so far with the sale of part of our Jack Road residential project and also the acquisition of a 70% interest in The World Trade Centre in Melbourne in a joint venture with global investment firm KKR. Our growth strategies will continue to utilise our third party capital relationships as opportunities arise.

The business is strong and we will maintain our core plus active strategy and adherence to property fundamentals. We are committed to delivering consistent and growing total returns to securityholders. We are confident we will continue to source strong core plus assets and projects.

Finally, we and the other members of our Board would like to thank you, our investors and our other stakeholders for your continued support. We are pleased with what we have been able to achieve in light of that and we are confident that we are positioning Abacus well in order to continue to deliver strong long term total returns. This would not be possible without the dedication and hard work of everyone at Abacus. Therefore, on behalf of the Board, we would like to thank our executive team and all our staff.



**John Thame**  
Chairman



**Frank Wolf**  
Managing Director

# OUR PERFORMANCE

## FY14 FINANCIAL RESULTS

We have delivered a strong result across all of the Group's main financial and capital metrics.

Abacus' total assets increased over the year to \$1.9 billion, with net assets growing to \$1.2 billion. The Group's net tangible asset backing per security improved to \$2.38 from \$2.32 and reflected the strong improvement in the Group's retail portfolio in particular Ashfield Mall and Birkenhead Point Shopping Centre and Marina, both located in Sydney, NSW.

The Abacus balance sheet continues to maintain good levels of liquidity and gearing, providing substantial ability to add to our investment portfolio and project pipeline through acquisitions in the coming year. Gearing remains low at 23.4%, well within our target gearing limit of 35%. At 30 June 2014, Abacus had \$178 million of available liquidity that provides capacity for use for up to \$294 million of accretive acquisitions. There are no debt expiries in 2015 and our average debt term to maturity is over 4.6 years. We anticipate Abacus' weighted average interest rate will remain relatively stable as current capacity is utilised and anticipate it should be no greater than 6.15% over the next year.

## OVERVIEW OF OUR OPERATING DIVISIONS

Our investment portfolio delivered a \$111.1 million EBITDA<sup>1</sup> result for the financial year. This result was 27% above 2013 and was attributable to a strong increase in net rental income over the year of over 17% following the contribution from FY13 and FY14 acquisitions. Despite the uncertain economic environment and the pressure on retail and office rentals the Group's asset managers have achieved improved metrics across the commercial portfolio with occupancy up to 94.6% and like for like rental growth of 4.5%. The Abacus portfolio offers embedded long term capital and earnings growth. Abacus remains focused on maintaining revenue and cashflows to support securityholder distributions.

While the office leasing environment remains weak, we believe Abacus' portfolio is well suited to these challenging conditions. The office portfolio has limited exposure to full floor or multi-floor tenants, and is configured more for multi-tenanted floors. This allows us to work proactively with our tenants to contract or expand and adjust their space requirements.

Our retail portfolio is largely based around properties that are the dominant trader in the respective trade areas. They are heavily centred on non-discretionary and convenience based shopping and trade well in their respective markets. They continue

to deliver strong like for like rental growth supported by above market moving annual turnover growth.

Our industrial portfolio is largely focused on assets with strong yields on sites that offer alternative strategic value.

The commercial portfolio is diversified across asset classes that are well located, largely along the eastern seaboard in major metropolitan areas. We believe the geographic and sector diversification provides a level of security and stability to the portfolio's property income and cashflows.

The storage portfolio delivered improved operating performance in both the Australia and New Zealand markets. The key driver was increased revenue from improved portfolio occupancy. This is evident with average portfolio occupancy across the financial year at 85.0%, up from 81.8%. This improvement in portfolio utilisation was despite the inclusion of additional area being developed across the portfolio. The average portfolio rental yield across the year was largely consistent year on year at \$250 per m<sup>2</sup> average for FY14, up from \$248 per m<sup>2</sup>.

Acquisition activity during the period also increased portfolio revenue, namely through the settlement of two acquisitions with existing storage operations or industrial tenants in place (Kingston, QLD and Rouse Hill, NSW). Other acquisitions during the period were mostly assets with future storage conversion potential.

These opportunities are currently being advanced and at various stages of development from the planning approval stage to construction.

## PROPERTY VENTURES

The property ventures business invests in projects that focus on select residential and commercial development opportunities in core locations with experienced local joint venture partners. Abacus has total assets of \$309 million in property venture projects which includes \$12 million of minority investments. These projects, as we have illustrated, provide strong potential for outperformance as projects and investments complete.

The Property Ventures division generated a strong and consistent underlying EBITDA of \$26.8 million for the year, a 0.4% increase to FY13 result of \$26.6 million. The Bay Street residential and retail development in Brighton, VIC completed during the year and generated a total profit to the Group of over \$10 million. Anticipating the completion of our Bay Street project, Abacus initiated a number of new residential development projects, investing a further \$47 million.

## FUNDS MANAGEMENT

The funds management business generated an underlying EBITDA result of \$15.3 million for the year providing a return of 9.0% on total funds invested across the platform of \$169 million<sup>5</sup>. This result was slightly below the FY13 result of \$16.6 million, which is consistent with a reduction of fee and interest income by virtue of a reduction in assets under management. Abacus continues to manage these unlisted funds to try to optimise the returns with selective sales of assets where opportunity and market conditions allow. In line with this strategy, Abacus sold six assets from ADIF II marginally above carrying value for \$60.8 million in June 2014.

1. Earnings before interest, depreciation, tax and amortisation.
2. Underlying profit and earnings per security are a non-AIFRS measure that the Group uses to assess performance and distribution levels. They are calculated in accordance with the AICD/Finsia principles.
3. Cashflow from operations of Abacus excludes cost of inventory sales of \$47.9 million.
4. Like for like properties excluding those assets classified as development
5. Includes \$11.2million relating to an associate's equity accounted holdings in ADIF II and AHF.

**77%**  
INCREASE IN  
PROFIT



The increase of 77% in the Group's consolidated AIFRS statutory profit to \$108.3 million, up from \$61.1 million in the 2013 financial year

Abacus' underlying profit<sup>2</sup> of \$101.3 million, up 21%



An increase of 11% in Abacus' underlying earnings per security to 20.8 cents, up from 18.8 cents in FY13



Abacus' cashflow from operations<sup>3</sup> was \$90.3 million, or 18.6 cents per security



**\$1.32**  
BILLION

Commercial portfolio occupancy increased to 94.6%, up from 92.8%

94 investment properties valued at \$1.32 billion



Commercial portfolio rent growth<sup>4</sup> of 4.5%



Storage portfolio occupancy increased to 85.0%, up from 81.8%

**\$213**  
PER M<sup>2</sup>



Storage facility revenue per available meter (RevPAM) was \$213 per m<sup>2</sup>, up from \$203

Retail and Office portfolios delivering strong results

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## SUSTAINABILITY PROTOCOL

Abacus Property Group (Abacus) is a diversified A-REIT that specialises in investing in core plus property opportunities across Australia. We seek to take advantage of value-adding opportunities to maximise securityholder value, through the acquisition, re-development, refurbishment, re-positioning and re-leasing of assets. Our core plus approach means that our assets are actively managed and often undergo significant change over their lifecycle.

Abacus believes it is important to understand and respond to the environmental, social and governance impacts of our business activities. We believe that integrating sustainability issues into our investment decision-making and business operations is congruent with the responsibility we have to our stakeholders.

We are committed to implementing sustainability practices in our investments, property management, development activities and workplaces. We will use these practices to manage risks, create opportunities and strengthen our operations. We have always applied an ethical approach to our business and we are committed to:

- Ongoing communication with our stakeholders on environmental, social and governance issues.
- Incorporating environmental issues including climate change in our decision-making processes.
- Managing our buildings efficiently to conserve the use of limited natural resources.
- Supporting and developing our employees to use their skills and expertise to respond to the sustainability challenges.
- Maintaining a safety-aware culture ensuring proper standards of workplace health and safety for our staff, contractors and other users of, and visitors to, our properties.

We will work to implement these commitments over time having regard to the nature, context and strategy of individual property assets and the interests of our stakeholders by:

- Developing and implementing appropriate systems to monitor and benchmark the sustainability performance of our assets.
- Pursuing cost effective and efficient use of energy and water and waste reduction.
- Adopting sustainable design practices in our asset improvement and development projects where appropriate.
- Reporting on our sustainability progress and performance.
- Implementing our commitment to sustainability in a practicable manner.
- Influencing our employees and other stakeholders to operate in a manner that supports our sustainability commitments.

This protocol provides the foundation for Abacus' commitment to sustainability. All our employees are responsible for the implementation of this protocol, which will evolve over time in response to our business needs and the reasonable expectations of our stakeholders.

Signed by:



**Frank Wolf**  
Managing Director

# SUSTAINABILITY REPORT

**For Abacus, sustainability means considering environmental, social and governance risks and opportunities in our business operations, from our investment decision-making process to our asset management and development activities and any asset realisations.**

## THE ENVIRONMENT

This is the first year that Abacus has systematically measured the environmental footprint from its operations and management. We intend to compare our key performance indicators over time to help us manage and reduce our consumption of natural resources.

Abacus is well positioned to improve the environmental sustainability of our buildings through efficient property

management and development and upgrade of buildings which incorporate more efficient plant and equipment. The responsible management of our buildings will also contribute to capital appreciation of those buildings over time.

Our key performance indicators for environmental sustainability are set out in the table below. Total energy use is a measure of electricity, gas and diesel consumed in the management of our

properties. Energy intensity identifies the energy use for each square metre of gross lettable area. We have similarly measured our water usage and water intensity at our managed properties. Carbon emissions combine direct emissions from gas and diesel consumed for base building services (scope 1) and indirect emissions from electricity consumed (scope 2).

## KEY PERFORMANCE INDICATORS

| ENVIRONMENTAL MEASURE | KEY PERFORMANCE INDICATOR                                                                         | YEAR ENDED 30 JUNE        |
|-----------------------|---------------------------------------------------------------------------------------------------|---------------------------|
| Total Energy Use      | Energy use from electricity, gas and diesel (GJ)                                                  | 144,886 GJ                |
| Energy Intensity      | Energy use per square metre of Gross lettable area (MJ/m <sup>2</sup> )                           | 571 MJ/m <sup>2</sup>     |
| Total Water Use       | Water consumption (KL)                                                                            | 254,685 KL                |
| Water intensity       | Water use per square metre of Gross Lettable Area (KL/m <sup>2</sup> )                            | 1.0 KL/m <sup>2</sup>     |
| Carbon Emissions      | Carbon emissions (scope 1 and scope 2) associated with energy consumed (Tonnes CO <sub>2</sub> e) | 26,091 tCO <sub>2</sub> e |

Key performance indicators are measured for properties under our operational control as defined in the National Greenhouse and Energy Reporting Act 2007 where Abacus has the authority to introduce and implement any or all of operating policies, health and safety policies or environmental policies for the property.

The NABERS rating is a tool that we use that assists in the identification of properties that could benefit from energy efficiency capital improvements which in turn may improve the prospects for leasing vacant space or renewing leases with tenants who may otherwise have vacated. This is an important metric but it is not appropriate to evaluate Abacus from a sustainability perspective on the basis of NABERS ratings. The core plus nature of our business is to acquire and manage

properties that may present lower than average ratings specifically to exploit the opportunity to upgrade and enhance assets and ultimately enhance capital values.

NABERS ratings are not required or appropriate for all the managed properties in our portfolio.

The properties that we currently report on under the NGERS legislation are:

| PROPERTY                                    | NABERS ENERGY | NABERS WATER |
|---------------------------------------------|---------------|--------------|
| 8 Station Street, Wollongong, NSW           | 3.5           | 4.0          |
| 32 Walker Street, North Sydney, NSW         | 3.0           | n/a          |
| 14 Martin Place, Sydney, NSW                | 2.5           | 2.0          |
| 50 - 52 Pirrama Road Wharf 10, Pyrmont, NSW | 3.0           | n/a          |
| 169 Varsity Parade, Varsity Lakes, QLD      | 2.5           | n/a          |
| 1 Bellvue Drive, Varsity Lakes, QLD         | 0.0           | n/a          |
| 35 Boundary Street, Brisbane, QLD           | 2.5           | n/a          |
| 51 Allara Street, Canberra, ACT             | 5.0           | 4.5          |
| 91 King William Street, Adelaide, SA        | 4.0           | n/a          |
| 484 St Kilda Road, Melbourne, VIC           | 3.0           | n/a          |

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## THE WORKPLACE

Social issues of potential material implication to Abacus' business encompass a wide range of areas including health and safety, human capital management and human rights. For Abacus, the most material social issues are workplace health and safety.

Health and safety is important for all businesses, and Abacus has a Workplace Health and Safety Policy to ensure we provide a safe environment for all employees and others accessing our owned and managed properties.

Our Board Charter, Code of Conduct, Diversity Policy, Audit and Risk Policy, Risk Management Framework and Employee Handbook demonstrate our commitment to human capital management.

## WORK HEALTH AND SAFETY MANAGEMENT

Abacus strives, through effective consultation and a process of continuous improvement, to integrate safety and health into all aspects of our activities. We:

- have adopted a health and safety management system to systematically manage health and safety throughout all Abacus work environments
- set objectives and targets aimed at measuring our health and safety performance
- provide our staff and contractors with appropriate supervision and training to make them aware of and accept their responsibility to achieve a safe work environment
- have implemented a system that enables and encourages effective communication and consultation
- maintain procedures and practices that enable a systematic and effective approach to identifying, reporting, assessing and controlling risk
- allocate financial, human and physical resources to meet our commitments.

## WORK HEALTH AND SAFETY PERFORMANCE

We aim to achieve zero harm in the workplace. Abacus recognises the fundamental right of all workers and those affected by our undertaking to a safe and healthy environment. Through the application of our workplace health and safety principles, we endeavour to provide a safe and healthy working environment for all our employees, contractors, customers and visitors.

During FY14 we recorded zero fatalities, disabling injuries, occupational illnesses or other reportable injuries. There were however a number of incidents:

- 12 employee lost time incidents resulting in 38 lost working days
- 4 medically treated injuries
- 5 high-potential near hits
- 1 contractor lost time injury resulting in 2 lost working days.

Activities into FY15 will see the further streamlining and integration of the health and safety management system with business and operational processes that have already delivered a number of significant outcomes and should provide further improvement in safety performance across the group.

## OUR PEOPLE

We have a strong commitment to our people and focus on providing an engaging work environment that creates a foundation that supports their personal and business development. We encourage people to exercise their entrepreneurial spirit within the collaborative culture of Abacus to deliver the groups business goals. We actively encourage and support a diverse workforce where gender, age and ethnicity can contribute positively in the workplace. Gender diversity has been a key focus and we continue to implement initiatives to maximise opportunities for women across the business and in management, supporting flexible working arrangements and preventing harassment in the workplace.

Providing an encouraging environment that empowers people to grow and develop is critical to the delivery of our business goals. It is Abacus' policy that all staff receive appropriate training for their responsibilities. This includes introductory training for new staff, internal training seminars and suitable external training. The head of each department in Abacus is directly responsible for the training (initial and continuing) of the staff in their department.

On an annual basis, each responsible manager must complete a training plan for the next 12 months which covers their responsibilities. A training register is maintained and updated monthly for all staff.

All staff are subject to an annual appraisal process with the heads of each department. For executive staff this incorporates performance reviews against the achievement of defined key performance indicators. This process delivers transparency and facilitates discussion on an individual's goals and performance.

We recognise that as we expand the business through acquisitions and sales and the delivery of projects our workforce will evolve. In FY13 our total workforce turnover was 13%. The nature of our active management business can deliver a turnover in staff as assets and projects are completed.

| WORKPLACE METRICS  |            |    |          |    |           |
|--------------------|------------|----|----------|----|-----------|
| GENDER COMPOSITION | FEMALE NO. | %  | MALE NO. | %  | TOTAL NO. |
| Board              | 1          | 20 | 4        | 80 | 5         |
| Workforce          | 25         | 45 | 30       | 55 | 55        |
| Executive          | 1          | 13 | 7        | 87 | 8         |
| Management         | 4          | 36 | 7        | 64 | 11        |

| FEMALE SALARIES AS A PERCENTAGE OF MALE SALARIES |            |          |                  |
|--------------------------------------------------|------------|----------|------------------|
|                                                  | FEMALE NO. | MALE NO. | % OF MALE SALARY |
| Entry                                            | 5          | 1        | 101              |
| Intermediate                                     | 3          | 2        | 103              |
| Experienced                                      | 7          | 2        | 131              |
| Specialist                                       | 5          | 11       | 100              |
| Manager                                          | 4          | 3        | 85               |
| Senior Manager                                   | 0          | 4        | N/A              |
| Executive                                        | 1          | 6        | 87               |
| MD                                               | 0          | 1        | N/A              |

| FULL TIME / PART TIME |            |    |          |    |           |
|-----------------------|------------|----|----------|----|-----------|
|                       | FEMALE NO. | %  | MALE NO. | %  | TOTAL NO. |
| Full time             | 20         | 42 | 28       | 58 | 48        |
| Part time             | 5          | 71 | 2        | 29 | 7         |

| PROPORTION OF FEMALES BY JOB LEVEL |            |    |          |     |           |
|------------------------------------|------------|----|----------|-----|-----------|
|                                    | FEMALE NO. | %  | MALE NO. | %   | TOTAL NO. |
| Entry                              | 5          | 83 | 1        | 17  | 6         |
| Intermediate                       | 3          | 60 | 2        | 40  | 5         |
| Experienced                        | 7          | 78 | 2        | 22  | 9         |
| Specialist                         | 5          | 31 | 11       | 69  | 16        |
| Manager                            | 4          | 57 | 3        | 43  | 7         |
| Senior Manager                     | 0          | 0  | 4        | 100 | 4         |
| Executive                          | 1          | 14 | 6        | 86  | 7         |
| MD                                 | 0          | 0  | 1        | 100 | 1         |

# MEMBERS OF THE BOARD



REAR (LEFT TO RIGHT)  
Mr Malcolm Irving  
Mr John Thame  
Dr Frank Wolf

FRONT (LEFT TO RIGHT)  
Mr William Bartlett  
Mrs Myra Salkinder

## JOHN THAME

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

## FRANK WOLF

Dr Wolf has over 25 years' experience in the property and financial services industries, including involvement in retail, commercial, industrial and hospitality-related assets in Australia, New Zealand and the United States. Dr Wolf has been instrumental in over \$3 billion worth of property related transactions, corporate acquisitions and divestments and has financed specialist property-based assets in retirement and hospitality sectors. He is also a director of HGL Limited, a diversified publicly listed investment company.

## MALCOLM IRVING

Mr Irving is a Non-Executive Director and has over 40 years' experience in company management, including 12 years as Managing Director of CIBC Australia Limited. He is also a director of O'Connell Street Associates Pty Ltd, Macquarie University Hospital and is Chairman of Macquarie Graduate School of Management.

## WILLIAM J BARTLETT

Mr Bartlett is a Non-Executive Director. As a partner at Ernst & Young for 23 years, he held the roles of Chairman of Worldwide Insurance Practice, National Director of Australian Financial Services Practice and Chairman of the Client Service Board. Mr Bartlett is a director of Suncorp 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.

## MYRA SALKINDER

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

# SENIOR EXECUTIVE TEAM

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## CATE AARONS

### Head of Strategy

Cate is responsible for strategy for the Group and for its managed funds.

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## ROB BAULDERSTONE

### Chief Financial Officer

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

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## CAMERON LAIRD

### Joint Director Property Ventures

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

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## GAVIN LECHEM

### Director Specialised Capital

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

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## JOHN L'ESTRANGE

### Joint Director Property Ventures

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

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## LEN LLOYD

### Managing Director Abacus Property Services

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

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## PETER STRAIN

### Director Property

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

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## ELLIS VAREJES

### Chief Operating Officer and Company Secretary

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

Centre management inspecting progress on the expansion of the lower ground site to accommodate a new ALDI tenancy at Birkenhead Point and the development of the Marina's fuel storage site. Sydney, NSW





Centre management with retailers following the opening of Birkenhead Point Cafe at Birkenhead Point Shopping Centre. Sydney, NSW



14 Martin Place  
property and  
engineering  
managers  
working alongside  
electrical  
specialists in the  
buildings plant  
room ensuring  
the efficient  
operation of the  
buildings plant  
and hardware.  
Sydney, NSW









Birkenhead Point Marina management inspecting the newly constructed arm that will now cater for vessels up to 45m in length. Sydney, NSW



309 George Street  
property and  
WHS managers  
overseeing a  
new fit out for one  
of the asset's  
new tenancies.  
Sydney, NSW

# DIRECTORS' REPORT

30 JUNE 2014

The Directors of Abacus Group Holdings Limited ("AGHL"), Abacus Funds Management Limited ("AFML") - the Responsible entity of Abacus Trust ("AT") and Abacus Income Trust ("AIT"), Abacus Group Projects Limited ("AGPL"), Abacus Storage Funds Management Limited ("ASFML") - the Responsible Entity of Abacus Storage Property Trust ("ASPT") and Abacus Storage Operations Limited ("ASOL") present their report for the year ended 30 June 2014.

## PRINCIPAL ACTIVITIES

The principal activities of Abacus Property Group were investment in office, retail and industrial properties, investment in self-storage facilities, participation in property ventures and developments and property funds management. There has been no significant change in the nature of these activities during the year.

## OPERATING AND FINANCIAL REVIEW

The operating and financial review is intended to convey the Directors' perspective of Abacus Property Group and its operational and financial performance. It sets out information to assist securityholders to understand and interpret the financial statements prepared in accordance with Australian International Financial Reporting Standards ("AIFRS") included in this report. It should be read in conjunction with the financial statements and accompanying notes.

### Listed Structure / Entities

The listed Abacus Property Group is a diversified property group that operates predominantly in Australia. It comprises AGHL, AT, AGPL, AIT, ASPT and ASOL (collectively "Abacus") and its securities trade on the Australian Securities Exchange ("ASX") as ABP. Abacus was listed on the ASX in November 2002 and its market capitalisation was over \$1.28 billion at 30 June 2014.

Shares in AGHL, AGPL and ASOL and units in AT, AIT and ASPT have been stapled together so that none can be dealt with without the others and are traded together on the ASX as Abacus securities. An Abacus security consists of 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 that are incorporated and domiciled in Australia. AT, AIT and ASPT are Australian registered managed investment schemes. AFML is the Responsible Entity of AT and AIT and 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

The application of AASB10 by Abacus results in the consolidation of Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust and Abacus Wodonga Land Fund (the "Group"). This is due to the combination of Abacus' role as responsible entity, variable returns arising from its collective equity and loan investments in these funds, and certain guarantees.

AGHL has been identified as the parent entity of the Group. The financial reports of the Group for the year ended 30 June 2014 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 entities, Abacus Hospitality Fund and its controlled entities, Abacus Diversified Income Fund II and its controlled entities, Abacus Miller Street Holding Trust and Abacus Wodonga Land Fund.

The principal activities of Abacus that contributed to its earnings during the course of the year ended 30 June 2014 included:

- investment in office, retail and industrial properties to derive rental and fee income;
- investment in self-storage facilities to derive storage fee income;
- participation in property ventures and developments to derive interest income and capital profits; and
- property funds management to derive fee income and equity returns.

## **OPERATING AND FINANCIAL REVIEW (CONTINUED)**

These activities are reported through our four core reportable segments of Property, Storage, Property Ventures and Funds Management, respectively.

Abacus is included in the S&P/ASX 200 A-REIT index (ASX:XPJ), a sub-index of the S&P/ASX 200 index that contains the listed vehicles classified as A-REITs. Abacus is the only dedicated core plus investor in the XPJ index and offers some differentiation to the market providing a more active management model to the other members of the XPJ index that are focused on rent collection or funds management.

## **OUR STRATEGY**

Abacus' objective is to provide securityholders with strong and stable cash-backed distributions from a diversified portfolio of property exposures that provides genuine potential for capital growth. Our strategy is to invest Abacus' capital into core plus properties and take advantage of value adding opportunities to drive long term total returns and maximise securityholder value. Abacus does this through the acquisition, development and active management of property assets. In particular:

- We take advantage of our specialised knowledge and market position as the only listed core plus investor.
- We drive value through active management of the asset portfolio and through the reinvestment of proceeds from the sales of mature or low growth core plus assets, assets that have realised their core plus potential and assets that require a disproportionate investment of management time relative to their value or potential.
- We invest in core plus property investments that are expected to yield 12-15% per annum equity total returns over time.
- Our core plus presence and track record has facilitated joint ventures with a number of sophisticated global third party capital providers, and we are actively working in this market to expand our capacity.

Abacus looks for assets in major centres, typically on the Eastern seaboard of Australia and New Zealand that are mispriced by the market which we believe are capable of both cashflow and capital growth. Abacus generally invests in commercial assets up to \$100 million in value. These assets are usually B-Grade assets in good core locations in major trading or CBD areas. They generally offer more attractive core plus and enhancement characteristics and therefore better opportunities to deliver enhanced returns. Our philosophy with self-storage properties is focused on Australia and New Zealand and includes regional locations.

## **GROUP RESULTS SUMMARY**

The Board monitors a range of financial information and operating performance indicators to measure performance over time. We use several measures to monitor the financial success of our overall strategy. The key measure is underlying profit.

|                                                                       | <b>2014</b> | 2013  |
|-----------------------------------------------------------------------|-------------|-------|
| Revenue (\$ million)                                                  | 370.4       | 281.0 |
| Total income (\$ million)                                             | 424.7       | 305.9 |
| Statutory net profit excluding non-controlling interests (\$ million) | 108.3       | 61.1  |
| Underlying profit <sup>^</sup> (\$ million)                           | 101.3       | 83.8  |
| Underlying profit per security <sup>^</sup> (c)                       | 20.83       | 18.76 |
| Cashflow from operating activities (\$ million)                       | 120.6       | 123.2 |
| Cashflow from operating activities per security (c)                   | 24.81       | 25.35 |
| Distributions per security <sup>^</sup> (c)                           | 16.75       | 16.50 |
| Interest cover ratio                                                  | 4.8x        | 3.3x  |
| Weighted securities on issue <sup>^</sup> (million)                   | 486.1       | 446.4 |

<sup>^</sup> Abacus

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### GROUP RESULTS SUMMARY (CONTINUED)

The Group earned a statutory net profit excluding non-controlling interests of \$108.3 million for the year ended 30 June 2014 (2013: \$61.1 million). This profit has been calculated in accordance with Australian Accounting Standards. It includes certain significant items that need adjustment to enable securityholders to obtain an understanding of Abacus' underlying profit of \$101.3 million, a 20.9% increase on the 2013 underlying profit of \$83.8 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 Abacus, in accordance with the AICD / Finsia principles for reporting underlying profit. The consolidated profits / (losses) which belong to the securityholders of Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holdings Trust and Abacus Wodonga Land Fund are excluded as these profits cannot and do not form part of the distributable income of Abacus. The calculation of underlying profit excludes items such as unrealised fair value gains / losses on investment properties, unrealised provision gains / losses, adjustments arising from the effect of revaluing assets / liabilities carried at fair value (such as derivatives, financial instruments and investments), the consolidated profits / (losses) of managed funds which do not form part of the assessable or distributable profits of Abacus and other adjustments in the determination of underlying profit including transactions that occur infrequently and those that are outside the scope of Abacus' core ongoing business activities. Underlying profit is the basis on which distributions are determined.

The reconciliation between the Group's statutory profit excluding non-controlling interests and Abacus' underlying profit is below. This reconciliation and the underlying profit has not been reviewed or audited by the Group's auditor.

|                                                                                                                                                                                                                     | 2014<br>\$'000 | 2013<br>\$'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Consolidated statutory net profit after tax attributable to members of the Group</b>                                                                                                                             | <b>108,273</b> | <b>61,052</b>  |
| add back: Consolidated losses relating to the managed funds (these losses are excluded as the profits/losses of the managed funds cannot and do not form part of the assessable and distributable income of Abacus) | 3,368          | 7,299          |
| <b>Net profit attributable to Abacus securityholders</b>                                                                                                                                                            | <b>111,641</b> | <b>68,351</b>  |
| <b>Certain significant items:</b>                                                                                                                                                                                   |                |                |
| Net gain in fair value of investment properties held at balance date                                                                                                                                                | (22,131)       | (7,484)        |
| Net change in property, plant and equipment remeasured at fair value                                                                                                                                                | 1,434          | -              |
| Net change in fair value of investments and financial instruments held at balance date                                                                                                                              | (2,548)        | (3,752)        |
| Net loss in fair value of derivatives                                                                                                                                                                               | 15,436         | 3,612          |
| Net change in fair value of property, plant and equipment, inventory and investment properties included in equity accounted investments                                                                             | (2,554)        | 4,100          |
| Consolidation of Abacus Wodonga Land Fund                                                                                                                                                                           | -              | 18,943         |
| <b>Underlying profit attributable to Abacus securityholders</b>                                                                                                                                                     | <b>101,278</b> | <b>83,770</b>  |
|                                                                                                                                                                                                                     | <b>2014</b>    | <b>2013</b>    |
| Basic earnings per security (cents)                                                                                                                                                                                 | 22.27          | 13.68          |
| Basic underlying earnings per security <sup>^</sup> (cents)                                                                                                                                                         | 20.83          | 18.76          |
| Distribution per security <sup>^</sup> (cents - including proposed distribution)                                                                                                                                    | 16.75          | 16.50          |
| Weighted average securities on issue (million)                                                                                                                                                                      | 486.1          | 446.4          |

<sup>^</sup> Abacus

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### GROUP RESULTS SUMMARY (CONTINUED)

The Australian property market continued throughout the period to be characterised by a dislocation between pricing and underlying real estate fundamentals. The past year has again seen continued strong demand for product by domestic and international buyers where large gaps remain between bond rates and property yields in institutional markets across the developed world. This demand has remained despite the continued weak fundamentals attributable to uncertain economic conditions while office and retail conditions remaining soft. As a result, Abacus has maintained its cautious property acquisition strategy from last year as fundamental value remains difficult to find across traditional CBD markets.

The dislocation between pricing and fundamental value did provide an opportunity to sell a number of mature, low growth assets during the year, with asset realisations of \$113.9 million at prices above book value. This further highlights our total return capability to crystallise enhanced capital returns that provide balance sheet capacity for the next generation of core plus assets. Abacus acquired a total of \$113.2 million of properties during the year. These were largely assets that were announced to the market late in FY13 and settled early in FY14.

The market outlook in the short term remains subdued with a continuation of tough leasing conditions, high market incentives and a low growth environment. This uncertain environment will drive low demand for office space and modest retail sales growth. The medium term outlook is for a general improvement in economic conditions and white collar employment growth. This will drive an improvement across the office sector and consumer sentiment, which will lead to stronger retail sales growth. Despite the relatively weak environment, Abacus remains able to find sound, core plus properties as demonstrated by the acquisition with a partner of the World Trade Centre in Melbourne, Victoria post year end.

While the Group's investment property acquisition activity was subdued the Group increased its participation in residential developments during the year. A total of \$47.3 million invested in 9 residential projects throughout markets in eastern Australia. Abacus is confident that we will be able to achieve appropriately adjusted risk returns through these projects to deliver on our total return investment requirements. The strength of the Group's diversified business model perfectly illustrates our ability to deliver returns throughout all cycles in all sectors.

The increase in the Group's statutory net profit excluding non-controlling interests was principally due to a movement of \$9.6 million in the increase in net rental income and a movement of \$24.5 million in the fair value of investment properties held at balance date.

When considering the underlying profit attributable to Abacus securityholders, the increase in profits by 20.9% was largely driven by the increase in net rental income and gains on the sale of investment properties.

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

|                                                      | 2014    | 2013    |
|------------------------------------------------------|---------|---------|
| Total assets (\$ million)                            | 2,079.3 | 2,127.8 |
| Gearing <sup>^</sup> (%)                             | 23.4    | 28.4    |
| Net assets* (\$ million)                             | 1,253.4 | 1,084.0 |
| Net tangible assets** (\$ million)                   | 1,225.0 | 1,049.2 |
| NTA per security <sup>^</sup> (\$)                   | 2.38    | 2.32    |
| NTA per security post distribution <sup>^</sup> (\$) | 2.30    | 2.23    |

<sup>^</sup> Abacus - gearing calculated as debt minus cash divided by total assets minus cash.

\* Excluding external non-controlling interests of \$36.8 million (2013: \$43.8 million).

The increase in net assets of the Group by 15.6% reflects the improved performance compared to the previous year. During the year, the Group's total assets decreased slightly due to property disposals towards the end of the year, with a corresponding decrease in liabilities from the repayment of bank loans.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### GROUP RESULTS SUMMARY (CONTINUED)

The Group has \$16.7 million of vendor finance loans which will be repaid in the coming financial year.

#### Capital management

The Abacus balance sheet continues to be strong with gearing remaining low at 23.4%, well within our target gearing limit of 35%. At 30 June 2014, Abacus had \$178 million of available liquidity that provides capacity for use for up to \$294 million of accretive acquisitions.

The Group completed an institutional placement in November 2013 and followed that up with a security placement plan in April 2014 and raised a total of circa \$96 million providing important growth capital for acquisitions and projects.

During the year, Abacus renewed all of its bank loan facilities including refinancing its existing \$480 million syndicated and working capital facilities with a single \$480 million syndicated facility, securing more flexible terms, improved duration and lower cost. The loan facility has been spread over four tranches of varying size and maturities, with the Group accessing its first 6 year loan facility. The facility provides a better spread and diversification of tranche maturities, reduced concentration risk and makes the loan facility easier to manage over time. The average all in cost saving across the new facility is approximately 42bp pa. Abacus also renewed its \$200 million storage loan facility to October 2018 and a \$40 million bilateral loan facility to July 2019. Abacus has no debt expiring in FY2015.

We continue to improve and reweight the balance sheet to larger, higher quality assets with a focus on disciplined capital management strategies. We anticipate Abacus' weighted average interest rate will remain relatively stable as current capacity is utilised and anticipate it should be no greater than 6.15% over the next year.

### CORE SEGMENT RESULTS SUMMARY

Business activities that specifically contributed to the Abacus' operating performance and financial condition for the financial year were:

#### Property

Abacus' property segment delivered a result of \$100.1 million for the year ended 30 June 2014. This represented an increase of 56.1% largely attributable to the income from new asset acquisitions at the beginning of the period and the increase in gains on investment properties. The 43 assets (2013: 47 assets) that make up the commercial portfolio had a total value of \$909 million at year end (2013: \$888 million).

Pursuant to the 2014 portfolio valuation process, 7 out of 35 of the commercial properties (excluding equity accounted properties) or 19.3% by value were independently valued during the year to 30 June 2014. The remaining properties were subject to internal review and, where appropriate, their values were adjusted. The valuation process resulted in a net full year revaluation gain of \$17.3 million (2013: \$6.6 million gain) or 2.2% of investment properties. A significant contributor to this increase was the Group's retail assets, in particular Ashfield Mall and Birkenhead Point Shopping Centre both located in Sydney, NSW as a result of a combined improvement in capitalisation rate and rental income following encouraging repositioning and re-leasing works.

During the year Abacus acquired the following investment properties:

#### Retail

- Bacchus Marsh Village Shopping Centre, Bacchus Marsh VIC for \$31.6 million
- Aspley Village Shopping Centre, Brisbane QLD (remaining 66% for 100% direct ownership) for \$18.8 million

#### Industrial and Storage

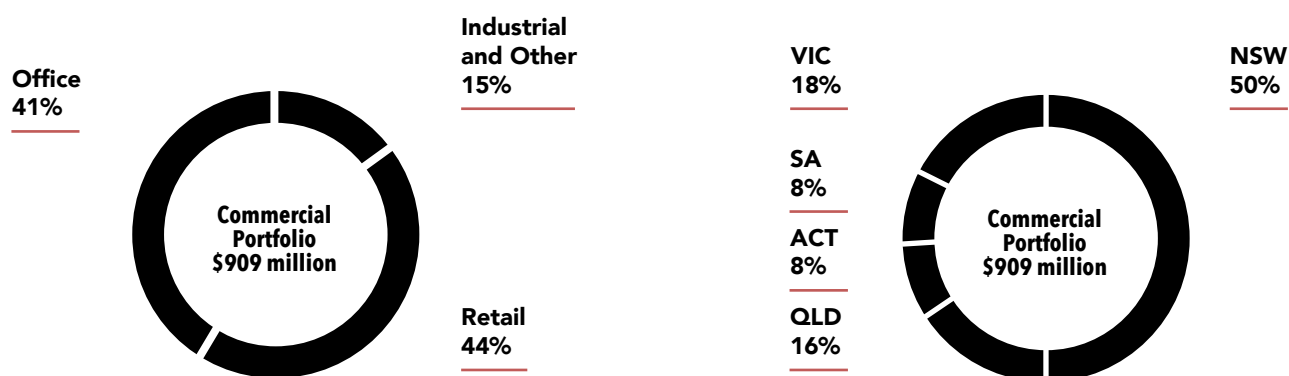
- Australis Drive, Derrimut VIC for \$20.95 million
- Four storage sites in Thornleigh, St Peters, Rouse Hill and Kingston, in NSW and QLD for \$23.5 million

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### CORE SEGMENT RESULTS SUMMARY (CONTINUED)

Abacus sold a number of properties during the year, taking advantage of the strong pricing for assets. These properties included four assets as part of a portfolio of industrial assets, largely from NSW and Victoria, a Sydney CBD office asset at 171 Clarence Street and a bulky goods centre at Moorabbin in Victoria. Net sales proceeds totalled \$112.8 million which realised gains of \$11.4 million.

The commercial portfolio is diversified across asset classes which are well located, largely along the eastern seaboard in major metropolitan areas. While some geographic areas are challenging we nevertheless believe this provides a level of security and stability to the portfolio's property income and cash flows.



#### Commercial portfolio (office, retail, industrial and other)

- \$909 million of commercial properties across 43 assets (including equity accounted properties)
- Portfolio capitalisation rate: 8.17%
- Portfolio occupancy: 94.6%
- Like for like rental growth of 4.5%
- Weighted average lease expiry ("WALE") profile of 3.9 years

Despite the uncertain economic environment and the pressure on retail and office rentals the Group's asset managers have achieved improved metrics across the commercial portfolio with occupancy up to 94.6% from 92.8% and like for like rental growth of 4.5% up from 3.4% 12 months ago. The Abacus portfolio offers embedded long term capital and earnings growth that Abacus is focused on delivering through the property cycle.

The portfolio has approximately 21% of leases up for renewal over the next year to 30 June 2015. This is consistent with prior periods where up to 20% of leases are due for renewal and this level or near term expiry is consistent with the length of our WALE and business model. As illustrated in the table below, and following this year's results, Abacus has a long and successful track record of leasing up near term expiries and maintaining occupancy thereby mitigating perceived risk to cashflows and distributions.

| KEY LEASING METRICS            | FY11                 | FY12                 | FY13                 | FY14                 | FY15  |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|-------|
| Period opening occupancy       | 94.6%                | 92.8%                | 94.3%                | 92.8%                | 94.6% |
| Impending years' vacancy       | 21%                  | 13%                  | 19%                  | 16%                  | 21%   |
| Total space leased during year | 44,982m <sup>2</sup> | 82,565m <sup>2</sup> | 63,014m <sup>2</sup> | 51,679m <sup>2</sup> |       |
| Period close occupancy         | 92.8%                | 94.3%                | 92.8%                | 94.6%                |       |

The office leasing environment nevertheless continues to be challenging. Fiscal tightening is likely to remain an economic impediment which will have a lead on effect towards low consumer confidence, retail sales and the ability of business owners to withstand rental increases.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### CORE SEGMENT RESULTS SUMMARY (CONTINUED)

This will dampen rental growth especially in poorer, non-discretionary specialty based centres outside of major trade areas. Market expectation of incentives for new leases remains elevated with office sector maintaining incentives at circa 30% in Sydney and higher in other markets with high levels of vacancy.

We believe Abacus' portfolio is well suited to these challenging conditions. The office portfolio has limited exposure to full floor or multi-floor tenants, and is configured more for multi-tenanted floors. We have found the potential cost (financial and time) of relocating to another property in the same location often outweighs the benefit of a cheaper rent. Our tenants are also strongly connected to the property's location, which is traditionally the reason they initially leased the property and results in a positive predisposition to remain. Due to the multi-tenanted floor structure we also have the ability to work proactively with our tenants to contract or expand and adjust their space requirements.

Our retail portfolio is largely based around properties that are the dominant trader in their respective trade areas. They are heavily centred on non-discretionary and convenience based shopping and trade well in their respective markets. They continue to deliver strong like for like rental growth on the back of above market MAT growth.

Abacus remains focused on maintaining revenue and cashflows to support securityholder distributions but nevertheless being conscious of the market's leasing requirements and competitive offerings.

#### *Contribution from Third Party Capital*

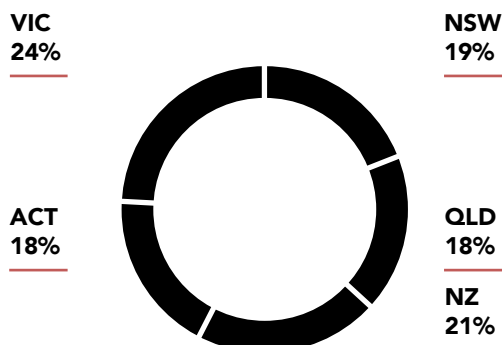
Abacus third party capital joint ventures remain an integral strategic investment platform for the Group. We continue to look for opportunities where we can access strong core plus assets with international and domestic investors. Abacus typically acquires 25% to 50% of the assets with our capital partners owning the balance. Management of the property remains with Abacus and as a result we are able to leverage our capital to gain greater exposure to a higher number of core plus assets. This leads to greater earnings from fees and rental income. We will focus on driving our third party strategy to expand our capital base to add to the \$570 million of high quality assets that Abacus has acquired with capital partners since 2009.

#### **Storage**

Abacus' storage portfolio delivered a result of \$31.3 million for the year ended 30 June 2014. This represents an increase on the FY13's result of \$24.4 million and can be attributed to an increase in net rental income and increase in the fair value of investment properties held at balance date. Portfolio assets totalled \$415 million across a total portfolio of 51 assets, an overall increase of four assets during the period.

Pursuant to the 2014 valuation process 28 storage assets out of 51 or 53% by value were independently valued during the year to 30 June 2014. The remaining properties were subject to internal review and, where appropriate, their values were adjusted. The valuation process resulted in a net full year revaluation gain of \$4.9 million (2013: \$0.9 million) or 1.2% of investment properties.

The storage portfolio is well diversified in Australia and New Zealand.



## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### CORE SEGMENT RESULTS SUMMARY (CONTINUED)

- \$415 million of storage assets
- Portfolio capitalisation rate: 8.84%
- Occupancy: Australian portfolio 84.0% and NZ portfolio 87.9%
- Gross rental: Australian portfolio \$254 and NZ portfolio NZD256 per m<sup>2</sup>

Despite subdued economic and retail activity generally, the portfolio delivered improved operating performance in both Australia and New Zealand total markets. The key driver was increased revenue from improved portfolio occupancy. This is evident with average portfolio occupancy across the financial year at 85.0%, up from 81.8% (FY13 average). The improvement in portfolio utilisation occurred despite the inclusion of additional area being developed at Riccarton (NZ) and completion of stage one of the new store developed at Castle Hill in May, and both in let up phase post project completion.

The average portfolio rental yield across the year was largely consistent year on year at \$250 per m<sup>2</sup> average for FY14, up from \$248 per m<sup>2</sup> (FY13 average).

Acquisition activity during the period also increased portfolio revenue, namely through the settlement of two acquisitions with existing storage operations or industrial tenants in place (Kingston, QLD and Rouse Hill, NSW). Other acquisitions during the period were mostly additions to the portfolio with future storage conversion potential. These opportunities are currently being advanced and are at various stages of development from the planning approval stage to construction. Growth of the storage portfolio through expansion opportunities also continues, with the Riccarton (NZ) store expansion now completed and other opportunities being assessed for implementation.

### Property Ventures

The Property Ventures business invests in projects that focus on select residential and commercial development opportunities in core locations with experienced local joint venture partners. Abacus has total assets of \$309 million in property venture projects, a decrease of \$15 million from the previous year due to the sale of Bay Street, Brighton. Abacus initiated a number of new projects during the year including:

- 25 Bouquet Street, Brisbane, QLD. A two tower, 274 residential unit development on the Brisbane River
- Settlers Estate, Werrington, NSW. A 4.7 ha site with residential rezoning potential for up to 200 lots
- 111 Quay Street, Brisbane, QLD. 78 residential unit development in Milton

The Property Ventures division generated a result of \$29.3 million for the year, a decrease of 4% to FY13 result of \$30.4 million which included the sale of Lewisham in FY13. The Bay Street residential and retail development in Brighton, VIC completed during the year and generated a total profit to the Group of over \$10 million.

### Funds Management

The funds management business generated a result of \$15.3 million for the year providing a return of 9.0% on total funds invested across the platform. This result before fair value adjustments was slightly below the FY13 result of \$16.6 million, which is consistent with a reduction of fee and interest income by virtue of a reduction in assets under management. Abacus continues to manage these unlisted funds to try to optimise the returns with selective sales of assets where opportunity and market conditions allow. In line with this strategy, Abacus sold six assets from ADIF II for \$60.8 million during the year.

The progress of the management for each of the funds is set out in the non-core segment results summary over the page.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### NON-CORE SEGMENT RESULTS SUMMARY

As a result of AASB10, the managed funds are consolidated into the Group financial statements and the Group's statutory profit includes the financial performance of these funds. These funds are treated as non-core segments as the assets of the funds are not directly owned by Abacus securityholders and do not contribute directly to Abacus' underlying profit and distributable income.

An overview of the financial performance of each of the funds for the year ended 30 June 2014 is as follows:

#### Abacus Hospitality Fund (AHF)

AHF owns four hotels: Rydges Tradewinds in Cairns, North Queensland with 246 rooms; Rydges Esplanade in Cairns, North Queensland with 242 rooms; Novotel Twin Waters Resort on the Sunshine Coast, Queensland with 374 rooms and Chateau on the Park, Christchurch, New Zealand with 192 rooms.

The Queensland market remains difficult because of the strong Australian dollar and reduced domestic and inbound international tourism demand. The conference market also remains subdued. The Fund is proposing to undertake a refurbishment of the guest rooms at the Rydges Esplanade during the course of the next financial year.

The major repairs to fix the damage caused by the 2011 earthquake the Chateau on the Park hotel in Christchurch have been completed. It has been difficult to re-establish the inbound tourism market which remains weak following the earthquake.

AHF's bank facility has been refinanced until June 2017.

The strategy of the Fund is unchanged, with the aim of selling the hotel assets over the medium term as value opportunities arise. Distributions to unitholders are being paid quarterly.

#### Abacus Diversified Income Fund II (ADIF II)

At 30 June 2014 ADIF II owned 15 investment properties diversified by sector and state. Six properties were sold in the year:

- The property at 2-6 George Young Street, Regents Park was sold in December 2013 for \$12.4m; and
- A portfolio of five industrial properties was sold in June 2014 for \$49m.

All net proceeds from the sale of properties were used to repay bank debt. The Fund has capacity to acquire up to \$65m of new properties using its existing bank facilities if suitable opportunities arise.

The property portfolio was approximately 82% occupied and had a weighted average lease term of 2.8 years. In August 2013 the Fund extended a bank loan facility of \$22.9m by a further three years until 30 September 2016. In December 2013 its other bank loan facility of \$54.0m was extended to 30 June 2017. At 30 June 2014 the Fund had drawn bank loans of \$27.8m.

Distributions are being paid to all unit classes in the Fund at guaranteed rates between 7.25% and 9.66%.

The Fund is expected to be wound up between June 2016 and June 2017 in accordance with the retail offer document.

#### Abacus Miller Street Holdings Trust (AMSHT)

AMSHT sold its only property situated at 50 Miller Street North Sydney in June 2014. The net equity has been returned to securityholders.

#### Abacus Wodonga Land Fund (AWLF)

AWLF owns the estate known as White Box Rise located in Wodonga, Victoria. During the year 83 residential lots were sold for combined gross proceeds of \$10.9 million. This takes the total number of lots sold to 459. Construction of new residential stages is ongoing to maintain inventory for a range of markets including first home buyers, families, investors and retirees. White Box Rise has approximately 640 residential lots left to sell plus two commercial lots.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### NON-CORE SEGMENT RESULTS SUMMARY (CONTINUED)

During the year AWLF invested in the public open space in accordance with the agreed masterplan. The estate is seeking to differentiate itself from its competitors through the high quality of its landscaping, children's play parks and walking/exercise tracks. This will complement the estate's primary school, Woolworths shopping centre and Wodonga aquatic centre.

No distributions were paid to unitholders during the year.

### FUTURE PROSPECTS AND RISKS

Abacus remains committed to growing its core segments and will achieve this through the acquisition and ownership of core plus assets either through joint venture or directly on balance sheet. We will continue to actively manage our portfolio and where appropriate recycle the mature, lower growth assets realising its improved capital position to help provide liquidity to fund future acquisitions. We believe that increasing our allocation to core plus assets will improve recurring earnings to support and grow our distributions and cash flows, optimising securityholder returns in the coming years. At 30 June 2014 Abacus held sufficient acquisition capacity to acquire a further \$249 million of properties directly on the balance sheet. This capacity can be further leveraged to acquire a larger number of assets through joint venture acquisitions. The total portfolio is anticipated to deliver an increased level of rental income in the coming year as the full year impact of recent acquisitions is captured. The on-going weakness in the leasing markets and the currently high level of incentives provided to new tenants is likely to have a negative influence on revenue growth. Growth in revenue through further acquisitions will be driven by our ability to access markets for core plus opportunities that deliver our required equity returns.

Abacus remains committed to delivering transactional returns to securityholders in addition to returns from recurring income. The timing and nature of transactional returns are unpredictable and uncertain therefore making it difficult to forecast.

There are a number of risk factors associated with property-related businesses that may have an impact on the financial prospects of Abacus. Some of the key risks are outlined below. This outline is not exhaustive, and performance may be affected adversely by any of these risk and other factors.

- **Returns from investment** - Returns from investment in real property and other related property exposures depend largely on the amount of rental income that can be generated from the property, the expenses incurred in operations, including the management and maintenance of the property, as well as changes in the market value of the property. Factors which may adversely impact these returns include:
  - the overall conditions in the national and local economy, such as changes in gross domestic product, employment trends, inflation and interest rates;
  - local real estate conditions, such as the level of demand for and supply of retail, commercial and industrial space;
  - the perception of prospective tenants of the attractiveness, practicality and convenience of the rental space;
  - changes in tenancy laws and planning approval requirements;
  - external factors including major world events such as war, terrorist attacks or force majeure events;
  - unforeseen capital expenditures;
  - supply of new property and other investment assets;
  - cost of property outgoings and recoverability from tenants;
  - supply of new property and other investment assets;
  - cost of property outgoings and recoverability from tenants; and
  - investor demand/liquidity in investment markets.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### FUTURE PROSPECTS AND RISKS (CONTINUED)

- **Leasing terms and tenant defaults** - The future financial performance of Abacus will depend, in part, on its ability to continue to lease existing retail, office, industrial, storage and hotel space that is vacant or becomes vacant on economically favourable terms. In addition, its ability to lease new asset space in line with expected terms will impact on the financial performance of Abacus.

The ability of major tenants to meet their rental and other contractual commitments to Abacus (such as in situations of insolvency or closure of their businesses) may have an adverse impact on the income from properties, which may result in an adverse impact on the financial performance of Abacus.

This risk is managed through active asset management including ongoing liaison with tenants, regular maintenance and refurbishment of properties to attract tenants, timely marketing programs for vacant space and due diligence on the financial strength of prospective tenants prior to entering into leases.

- **Funding** - The property investment and development sector is highly capital intensive. The ability of Abacus to raise funds (equity and debt) on acceptable terms will depend on a number of factors including capital market conditions, general economic and political conditions, Abacus' performance and credit availability. Changes in the cost of current and future borrowings and equity raisings may impact the earnings of Abacus, and impact the availability of funding for new acquisitions and projects, or increase refinancing risk as debt facilities mature.

Abacus uses debt funding provided by major banks. Any downgrade of Abacus' bank credit assessment may increase overall debt funding costs and adversely affect Abacus' access to debt funding and the terms on which that funding is offered. Abacus staggers the debt maturity profile to reduce the concentration of refinancing risks at any point in time and obtains funding through different banks to reduce credit and counterparty risks.

- **Insurance** - While Abacus carries property insurance, there are types of losses (such as against floods and earthquakes) that are generally not insured at full replacement cost or that are insured subject to larger deductibles or insurance may not be able to be obtained. Additionally, Abacus will face risks associated with the financial strength of its insurers to meet their indemnity obligations when called upon which could lead to an adverse effect on earnings.

Abacus mitigates this risk through the use of insurance brokers to seek to place cover with well rated insurers and ensure that this insurance risk is diversified across various insurers. The diversification of the property portfolio across geographical regions reduces the impact of any potential losses to Abacus.

- **Environmental** - Abacus may from time to time be exposed to a range of environmental risks including those resulting from soil and water contamination, construction, cultural heritage and flora and fauna (e.g. native vegetation). In addition, there is a risk that property owned by or projects undertaken by Abacus from time to time may be contaminated by materials harmful to human health (such as asbestos or other hazardous materials). Also, returns may be adversely impacted by changes to sustainability and environmental requirements and potentially costs associated with the carbon pricing or the introduction of new regulations referable to the property industry.

In these circumstances, Abacus may be required to undertake remedial works on contaminated sites. Additional expenses may result from changes in environmental regulations across the industry. Abacus as part of the property acquisition due diligence engages experts to advise on any potential environmental risks and factors these into the acquisition price of the property. Abacus also constantly monitors for any potential exposure in changes in environmental regulations to manage any costs and impacts associated with these risks.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### FUTURE PROSPECTS AND RISKS (CONTINUED)

- **Treasury risk** - Abacus manages its exposure to financial market risks by way of a formal treasury policy encompassing among other things interest rate, funding, liquidity and credit risk management. Risk management is undertaken over multiple timeframes with risk management activity reviewed on a regular basis by our Treasury Management Committee, a formally documented senior management committee. The overarching treasury policy parameters for interest rate and funding risk management reflect the objective of balancing a desired level of certainty for interest expense against retaining an appropriate level of flexibility to respond to external developments within not only domestic and global financial markets but also the wider domestic and global economies. The Treasury Policy is reviewed on a regular basis by senior management and the Board. This is enhanced by utilising the in-depth market knowledge of Abacus' external independent treasury adviser.

With high levels of uncertainty not only in domestic financial markets but also in the Australasian residential and commercial property sectors and the wider global economy, Abacus has focused its interest rate risk management activity over the last financial year on the near-term, albeit within the overall interest rate risk management hedging requirements of our Treasury Policy. Funding risk management has focused on the timely renegotiation of maturing facilities and where possible seeks to increase the overall maturity profile.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The contributed equity of the Group increased \$135.4 million to \$1,403.8 million compared to \$1,268.4 million as at 30 June 2013 due to equity raisings and securityholder participation in the security purchase plan and distribution reinvestment plan.

Total equity increased by \$162.4 million to \$1,290.9 million at 30 June 2014 compared to \$1,127.8 million at 30 June 2013 principally as a result of the performance of the Group.

### DISTRIBUTIONS

Abacus' distributions in respect of the year ended 30 June 2014 were \$84.5 million (2013: \$74.1 million), which is equivalent to 16.75 cents per stapled security (2013: 16.5 cents). This distribution includes 8.5 cents (\$43.7 million) that was paid on 15 August 2014. Further details on the distributions, including distributions by the managed funds, 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 significantly affected, 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 securityholder returns during the coming year as described in the operating and financial review section of this report.

## 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.

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|                  |                          |
|------------------|--------------------------|
| John Thame       | Chairman (Non-executive) |
| Frank Wolf       | Managing Director        |
| William Bartlett | Non-executive Director   |
| Malcolm Irving   | Non-executive Director   |
| Myra Salkinder   | Non-executive Director   |

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

### **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.

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 25 years' experience in the property and financial services industries, including involvement in retail, commercial, industrial and hospitality-related assets in Australia, New Zealand and the United States. Dr Wolf has been instrumental in over \$3 billion worth of property related transactions, corporate acquisitions and divestments and has financed specialist property-based assets in retirement and hospitality sectors. He is also a director of HGL Limited, a diversified publicly listed investment company.

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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, Macquarie University Hospital and is Chairman of Macquarie Graduate School of Management.

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

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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 Committee.

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## DIRECTORS AND SECRETARY (CONTINUED)

### 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 Remuneration & Nomination Committees.

### Ellis Varejes BCom, LLB – Company Secretary and Chief Operating Officer

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

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

| DIRECTORS  | ABP SECURITIES HELD |
|------------|---------------------|
| J Thame    | 75,276              |
| F Wolf     | 2,914,341           |
| W Bartlett | 29,444              |
| M Irving   | 40,472              |

## 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:

|             | BOARD |          | AUDIT & RISK COMMITTEE |          | REMUNERATION & NOMINATION COMMITTEE |          |
|-------------|-------|----------|------------------------|----------|-------------------------------------|----------|
|             | HELD  | ATTENDED | HELD                   | ATTENDED | HELD                                | ATTENDED |
| J Thame     | 12    | 12       | 4                      | 4        | 3                                   | 3        |
| F Wolf      | 12    | 12       |                        |          |                                     |          |
| W Bartlett  | 12    | 11       | 4                      | 4        | 3                                   | 3        |
| M Irving    | 12    | 11       | 4                      | 4        |                                     |          |
| M Salkinder | 12    | 12       |                        |          | 3                                   | 3        |

## 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.

## Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount) – except for any loss in respect of any matters which are finally determined to have resulted from Ernst & Young's negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the financial year.

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## **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 64.

## **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.

## REMUNERATION REPORT (AUDITED)

The following chart sets the context for the Remuneration Report:

### 1YR TOTAL SECURITYHOLDER RETURN TO 30 JUNE 2014 (%)



1. XPJAI: S&P/ASX 200 A-REIT Accumulation Index.

2. Source: JP Morgan research and excludes ALZ as a result of its takeover activity.

This Remuneration Report describes Abacus' remuneration arrangements for directors and executives in accordance with the requirements of the Corporations Act and Regulations. For the purposes of this report Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of Abacus, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the executives receiving the highest remuneration.

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

### Details of key management personnel (KMPs)

#### (i) Non-executive Directors

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

#### (ii) Executive Director

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

#### (iii) Executives

|                 |                                              |
|-----------------|----------------------------------------------|
| E. Varejes      | Chief Operating Officer                      |
| C. Aarons       | Head of Strategy                             |
| R. Baulderstone | Chief Financial Officer                      |
| C. Laird        | Director Property Ventures                   |
| J. L'Estrange   | Director Property Ventures                   |
| L. Lloyd        | Managing Director – Abacus Property Services |
| P. Strain       | Director Property                            |

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Remuneration at a glance

Executive total remuneration comprises fixed and variable components. The variable component has both current and deferred elements.

Fixed remuneration reflects market rates, adjusted to reflect the experience and skills of the executive occupying the position. Base salaries paid to executives increased by an average of 1.1% in the year ended 30 June 2014.

Variable pay reflects a combination of individual and Group performance. Should performance improve, and this improvement be sustained, variable remuneration will increase. Should performance deteriorate, and not be sustained, variable remuneration will decrease. Variable remuneration that is deferred is received as security acquisition rights with value dependent on the Abacus security price. This portion of remuneration vests over four years and is subject to forfeiture if results are not sustained to an acceptable level, or in the event of misconduct, financial misstatement, or termination with cause.

Variable remuneration is payable only if the underlying profit target is met. The group target was exceeded in the current year.

The Board retains discretion to vary remuneration from policy if required. No discretion was exercised in this regard in this reporting period.

Non-executive director fees are set with reference to market standards, with the objective of attracting and retaining Board members with an appropriate combination of industry and specialist functional knowledge and experience.

### Board oversight of remuneration

#### *Remuneration & Nomination Committee*

The Remuneration & Nomination Committee 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 non-executive directors with a majority of independent members. The members of the Committee during the year were:

- W. Bartlett - Chairman (independent non-executive)
- M. Salkinder - (non-independent non-executive)
- J. Thame - (independent non-executive)

Under its charter the Committee must meet at least two times during a year. The Committee met three times 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 Abacus website.

To assist the Committee in determining remuneration Abacus subscribes to an independent property salary and remuneration survey recommended to it by EY and Abacus performs a review of the published remuneration of the members of the S&P ASX 200 Index and the S&P/ASX 300 A-REIT Index. Where necessary, consultation with Guerdon Associates is sought.

Tax advice on the deferred variable remuneration plan was provided by Minter Ellison.

### *Remuneration structure in detail*

#### Non-executive director remuneration

##### *Objective*

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 market remuneration with the overall objective of attracting and retaining Board members with an appropriate combination of industry and specialist functional knowledge and experience.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Structure

Abacus' constituent documents and the ASX Listing Rules specify that the maximum aggregate remuneration of non-executive directors must be approved 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 is a limit on non-executive directors' total fees, not the actual fees paid to non-executive directors which are set out in Table 6.

The aggregate remuneration limit and the fee structure are reviewed annually and fees were last increased in August 2013. The average annual increase over the last year was 8%. There was no increase in the year ended 30 June 2013.

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

| BOARD/COMMITTEE                     | ROLE      | FEE       |
|-------------------------------------|-----------|-----------|
| Board                               | Chairman* | \$211,000 |
| Board                               | Member    | \$85,000  |
| Audit & Risk Committee              | Chairman  | \$26,000  |
| Audit & Risk Committee              | Member    | \$10,000  |
| Compliance Committee                | Chairman  | \$14,000  |
| Compliance Committee                | Member    | \$10,000  |
| Due Diligence Committee             | Chairman  | \$15,000  |
| Due Diligence Committee             | Member    | \$5,000   |
| Remuneration & Nomination Committee | Chairman  | \$15,000  |
| Remuneration & Nomination Committee | Member    | \$10,000  |

\* The Chairman is an ex-officio member of all Board committees but does not receive any committee membership fees.

The non-executive directors do not receive retirement benefits. Nor do they participate in any incentive programs.

### Executive remuneration in detail

#### Objective

The remuneration policy for executives supports the achievement of the Group's overall objective of producing sustainable earnings and continuing growth in security value. Total remuneration levels are positioned at market median, with higher rewards possible if justified by performance. The policy framework is designed to align the interests of the executives to those other stakeholders through the use of variable remuneration linked to an underlying profit gateway and to the Abacus security price over the vesting period for deferred remuneration. If underlying profit hurdles are achieved there is scope to vary reward with individual performance. To this end, Abacus embodies the following principles in its remuneration framework:

- provide sufficient rewards to attract and retain skilled executives who are well qualified and experienced;
- link executive rewards to Abacus' overall performance in the medium term;
- establish performance hurdles for the variable components for each executive so that executives are focussed on achieving sustainable earnings performance over time; and
- encouraging entrepreneurship without taking excessive risk or otherwise jeopardising the security of distributions to securityholders.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Structure

In determining the level and make-up of executive remuneration, the Remuneration & Nomination Committee received advice from its external consultants, Guerdon Associates. (No remuneration recommendations as defined under Division 1, Part 1.2.98 (1) of the Corporations Act were made by Guerdon Associates.)

Executive remuneration consists of the following key elements:

- fixed remuneration
- variable remuneration
- current variable remuneration; and
- deferred variable remuneration with a claw back feature.

The fixed remuneration component includes base salary, statutory superannuation and non-monetary benefits (car parking and associated fringe benefits tax). Abacus aims to ensure that the split of fixed and variable remuneration for executives is appropriate for the type of business it operates, namely, a cyclical, mature business that seeks to provide stable distributions to securityholders. Volatile outcomes are not valued by long-term investors, and therefore remuneration is not highly incentive leveraged. The variable remuneration is designed to reward consistency of sustainable distributions and steady improvement to the underlying financial strength of the business. The result is a higher proportion of fixed remuneration for executives compared to other A-REITs and a lower proportion of variable remuneration. The deferred variable remuneration element recognises that long-term value is the outcome of a string of sustained short-term outcomes and seeks to discourage volatile earnings and distributions. For this reason, reward is contingent on both annual performance and the maintenance of that annual performance in succeeding years. The two are not considered independent, and therefore the reward structure does not allow for separate short term and long term measures. This is a deliberate remuneration strategy that, in the Board's view, better reflects the group's positioning in the A-REIT industry.

In the context of providing median levels of total remuneration to Abacus executives, the Board considers it appropriate that:

- (a) executives have a reasonable and motivating portion of their total remuneration that is variable linking it to the performance of the business and their own contributions to that performance; and
- (b) the proportion of fixed to potential maximum variable pay (the remuneration ratio) being, with exceptions for outstanding personal achievement, in the ratio of approximately 60:40 with the variable component generally allocated as to half to current variable remuneration and half to deferred variable remuneration.

These arrangements apply only to those executives who are invited to participate in the Abacus deferred variable remuneration plan. Participation is limited to those executives whose positions have the potential to affect the medium to long-term value of the group.

Abacus has an investment strategy principally ensuring that at least 70% of its balance sheet exposure is to directly held core plus property providing a sustainable recurring income stream, with the balance focused on active real estate positions. Abacus' investment philosophy is to provide investors with stable returns derived primarily from sound rental income and improvement of asset values results from diligent asset management of core plus assets with upside potential from active positions.

Reflecting Abacus' investment philosophy, the variable remuneration plan design is directed to rewarding activities that are in the medium to long-term interests of securityholders. The variable remuneration strategy is designed to drive sustainable and growing underlying profit. It follows that a current variable remuneration award for a financial year will generally be matched with an equal deferred variable remuneration award for the next financial year (as the short and medium term goals are essentially the same). The Board nevertheless retains the discretion whether or not to make deferred remuneration grants and to vary the amount of the deferred remuneration grants it makes.

The primary purpose of the plan is to ensure that the best performers have an incentive to remain with the group, to give them an opportunity to extend and sustain their performance and to reduce risk taking associated with short-term performance payments.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Structure (continued)

The table below sets out the structure of the Abacus executive remuneration arrangements:

| REMUNERATION COMPONENT      | METHOD                                                                                               | PURPOSE                                                                                                                                                                                             | LINK TO PERFORMANCE                                                                                                                                                                                                                |
|-----------------------------|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fixed remuneration          | Paid mainly as cash salary - 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 incumbent experience.                                                                                 |
| Current variable component  | Paid in cash in September.                                                                           | To drive achievement of underlying profit target as set by the Board.                                                                                                                               | Underlying profit is a key financial gateway for availability of a current variable award. Individual performance is then tested against KPIs, key effectiveness indicators and other internal financial and performance measures. |
| Deferred variable component | Awards are made in the form of security acquisition rights.                                          | To reward executives for achieving sustainable underlying profit growth over the short to medium term and to reduce excessive risk taking associated with short term performance assessment models. | Directly linked to the increase in the Abacus security price over the vesting period, and the maintenance of distributions. Claw back of prior grants is considered if performance is not sustained.                               |

### 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 and capacity to pay, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices.

#### Base Salary

Base salary is set by reference to the executive's position, performance and experience. In order to attract and retain executives with appropriate expertise and experience Abacus aims to set a fair base salary. In determining fixed remuneration the Company considers independent benchmarking information for the property industry as well as data from the stock 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.

Base salaries paid to executives increased by an average of 1.1% in the year ended 30 June 2014.

The fixed remuneration component of the Managing Director and other key management personnel is detailed in Table 6.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Variable Remuneration – current variable remuneration

#### Objective

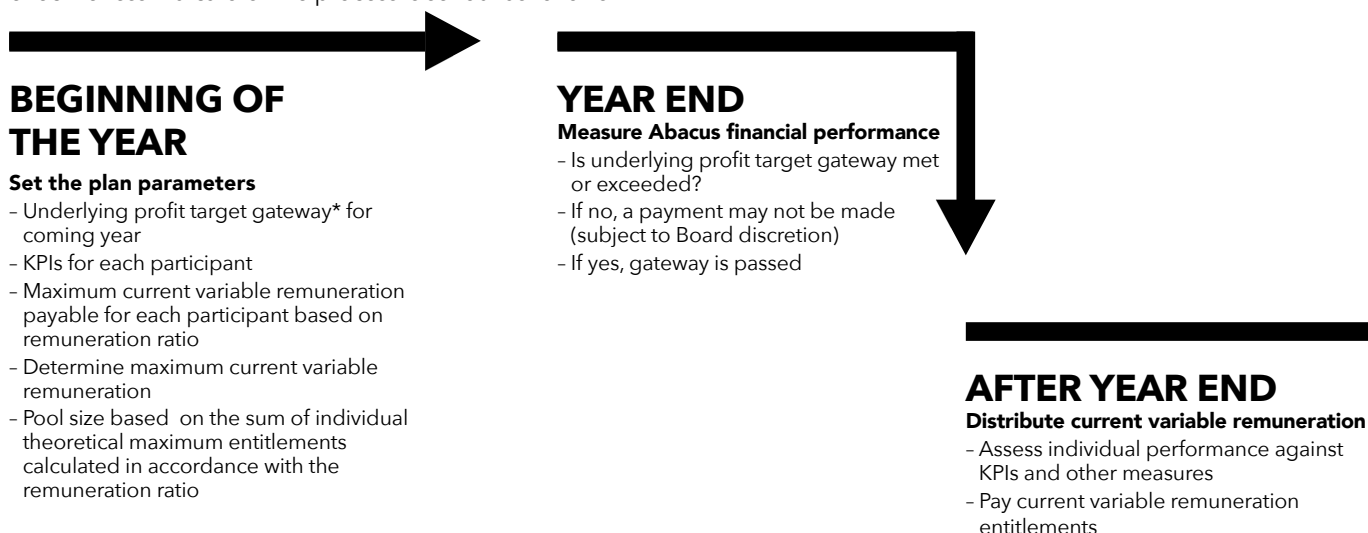
The objective of the current variable remuneration plan is to link the achievement of Abacus' operational targets with the remuneration received by the executives charged with meeting those targets.

#### Structure

The current variable remuneration plan is designed to link financial rewards with performance consistency, and steady improvement of the underlying financial strength of the business:

- Current variable remuneration pool – available for current variable remuneration awards – is linked directly to, and contingent on, the achievement of an underlying profit target for the assessment year
- KPIs – the performance measures that determine individual current variable remuneration rewards represent the contributions to be made by executives to Abacus' financial and operating performance

Securityholders expect that the Board consider the financial performance of the business when forming decisions about whether to pay a current variable remuneration award or not, and, if so, how much will be paid. The Board has established a process to manage the assessment and payment of current variable remuneration entitlements through KPIs and key effectiveness indicators. The process is set out as follows:



\* The Board has compared Abacus' 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 variable remuneration. Based on this analysis the Board has adopted underlying profit as the measure. Underlying 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 Abacus, in accordance with the AICD/Finsia principles for reporting underlying profit.

For each relevant year the Board will specify an underlying profit target that operates as a gateway that must be passed if current variable remuneration awards are to be generally payable. The Board retains the discretion, based on its view of the circumstances at the time, to adjust the current variable remuneration pool size. This discretion has not been exercised in the current or past periods.

If the underlying profit target is missed, the Board retains the discretion to make the current variable remuneration pool, or a reduced pool, generally available 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 current variable remuneration awards reflective of the above target performance. Where the financial gateway has not been achieved and the Board determines that no part of the current variable remuneration pool will be generally available, it retains the discretion to pay current variable remuneration awards to selected individuals to reward them for their personal above target performance. The application of any of these discretions will be disclosed. No discretion in this regard has been applied in the current or past periods.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Structure (continued)

An executive will generally not be entitled to be paid their current variable remuneration awards if the relevant executive resigned for any reason or if their employment was terminated with cause.

### Key Performance Indicators

When the financial gateway has been passed executives become eligible to receive a current variable remuneration award. However, it is necessary to determine the extent to which KPIs for the financial year are met to quantify each individual's reward. Account is also taken of qualitative indicators of effectiveness, performance and behaviour. KPIs and the extent that they are applied to determine the variable reward are tabulated below.

| PERFORMANCE MEASURES                                                                                                                                                                                                                                                                                               | PROPORTION OF CURRENT VARIABLE REMUNERATION AWARD MEASURE APPLIES TO |                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|-------------------------------|
|                                                                                                                                                                                                                                                                                                                    | MANAGING DIRECTOR                                                    | OTHER EXECUTIVES              |
| <b>Financial measure</b> <ul style="list-style-type: none"> <li>- Contribution to Abacus underlying profit</li> <li>- Contribution to sustainability of distribution</li> <li>- Contributions to projects expected to grow security value</li> </ul>                                                               | 60%                                                                  | 20-40%<br>(dependent on role) |
| <b>Non-financial measure</b> <ul style="list-style-type: none"> <li>- Quality of analysis and recommendations</li> <li>- Transaction and project management</li> <li>- Key growth activities</li> <li>- Risk management</li> <li>- Other performance measures focuses on achieving business imperatives</li> </ul> | 40%                                                                  | 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 has the discretion to consider each executive's total contribution to the group in addition to the specific KPIs selected for the relevant year.

The target levels of performance set by the Board are challenging, and payment of 100% of the current variable remuneration award opportunity to an executive requires a high level of consistent performance.

The payment of current variable remuneration awards to executives is subject to a recommendation by the Remuneration and Nomination Committee to, and approval of, the Board. The Committee considers the performance of the executive against the KPIs and other applicable measures and approves the amount, if any, of the current variable remuneration to be paid. For the 2014 financial year current variable remuneration awards of \$1,775,000 have been accrued and will be paid in September 2014.

For the 2013 financial year, current variable remuneration awards of \$1,560,000 accrued and were paid to executives in the 2014 financial year. (Unlike deferred variable remuneration awards, this is not subject to forfeiture.) Some executives received more and some less than their current variable remuneration award opportunity for the reporting period.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Performance and its link to variable remuneration for the Managing Director

The financial measures driving variable remuneration outcomes are underlying profit and sustainable distributions. In addition Abacus has a number of non-financial measures that it uses to determine variable remuneration.

The following table sets out performance of the Managing Director against these targets:

| PERFORMANCE MEASURE          | FY14 PERFORMANCE AGAINST TARGETS |
|------------------------------|----------------------------------|
| <b>Financial measure</b>     |                                  |
| - Underlying profit          | Above target                     |
| - Sustainable distribution   | At target                        |
| <b>Non-financial measure</b> |                                  |
| - Strategic planning         | Above target                     |
| - Key growth activities      | Above target                     |
| - Risk management            | At target                        |
| - Leadership, team building  | Above target                     |

### Variable Remuneration – deferred variable remuneration

#### Objective

The objective of the deferred variable remuneration plan is to reward executives for sustaining underlying profit that covers the distribution level implicit in the Abacus security price and which rewards sustainability of distributions each year over a four year period.

#### Deferred Security Acquisition Rights Plan

The deferred variable remuneration plan has been designed to align the interests of executives with those of securityholders by providing for a significant portion of the remuneration of participating executives to be linked to the delivery of sustainable underlying profit that covers the distribution level implicit in the Abacus security price.

The deferred security acquisition rights plan (SARs Plan) is a deferred variable remuneration plan under which deferred variable remuneration awards in the form of security acquisition right (SARs) may be awarded in accordance with the remuneration ratio. Key executives may be allocated a deferred variable remuneration award value in any financial year that matches the current variable remuneration award paid. The matching allocations may be adjusted to take into account other factors that the Board considers specifically relevant to the purpose of providing deferred variable remuneration awards. Adjustments may be needed, for example, to take into account an award of a current variable remuneration award above the theoretical maximum, the potential of an executive, or their impending retirement. Adjustments were made in some instances to reflect exceptional individual performances.

The Board has the discretion to award SARs in excess of the cap in the case of exceptional performance. No discretion was applied in this financial period.

The deferred variable remuneration grant value allocated to a plan participant for a financial year will be divided by the 10 day volume weighted average price (VWAP) of Abacus Property Group securities (ABP securities) for the period commencing on the second trading day after the full year results announcement for the previous financial year was released to the market (the business day after that 10 day period ends is the allocation date). The quotient will be the number of SARs to be allocated to the relevant executive for that financial year.

The SARs allocated to an executive for a financial year will vest in four equal annual tranches on the first, second, third and fourth anniversaries of the allocation date.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Deferred Security Acquisition Rights Plan (continued)

To receive the deferred remuneration award the executive must remain employed by Abacus, unless they are considered a good leaver (that is, through death, disability, or genuine retirement, or some other circumstance considered acceptable or the board in its discretion). All other leavers are considered bad leavers for the purposes of the SARs Plan.

As well the Board has the discretion, if the amount of distributions per ABP security falls by more than a percentage determined by the Board for each respective SARs issue, to forfeit any unvested tranches. For example, if the Board determines at the time of a new allocation of SARs that a sustainable annual distribution rate for the whole vesting period for that allocation of SARs is 17 cents per security then the Board may decide that if that rate falls by more than a specified percentage in respect of any financial year before all of the tranches of SARs in that allocation have vested, the Board may claw back the unvested SARs that formed part of that allocation. The allocation of SARs for the following year may set a higher distribution rate and negative variance buffer, and so on for succeeding years. No forfeitures of SARs for unsustainable performance occurred in the reporting period.

If an executive is not a bad leaver but the Board determines that the executive is responsible for misconduct resulting in material non-compliance with financial reporting requirements or for excessive risk taking, the executive will forfeit all unvested SARs entitlements.

When a tranche of SARs vests the SARs in that tranche will convert into ABP securities on a one for one basis or (exceptionally, subject to the discretion of the Board where an executive already has a significant holding of ABP securities) a cash amount equal to the product derived by multiplying the number of SARs in that tranche by the VWAP of ABP securities over the first 10 trading days after the date the relevant tranche vests.

To achieve a closer alignment of the interests of securityholders and senior executives, when a tranche of SARs vests, the holder will be paid in respect of each SAR vesting an amount (a notional distribution) equivalent to the aggregate of the distributions per ABP security paid during the period from allocation date of the relevant tranche to the vesting date for the relevant tranche plus the amount of any distribution per security declared and unpaid as at the vesting date<sup>1</sup>. This entitlement will be satisfied in ABP securities<sup>2</sup>. In that event the number of additional securities will be calculated by dividing the amount of the notional distribution by the VWAP of ABP securities over the first 10 trading days after the date the relevant tranche vests.

Executives will be entitled before any tranche of SARs vests, to extend the vesting date for that tranche by 12 months. This right may be exercised at any time and from time to time in respect of any unvested tranche while the executive's employment continues.

1. If the entitlements on a vesting of SARs is satisfied in ABP securities that are cum distribution then the amount of that unpaid distribution will not be included in the notional distribution.
2. Subject to the Board's discretion to satisfy this in cash.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Deferred Security Acquisition Rights Plan (continued)

The table below discloses SARs granted to key management personnel during the 2014 financial year as well as the number of SARs that vested or lapsed during the year. The SAR's will vest in the periods indicated subject to performance and potential claw back.

| TABLE 1        | YEAR | GRANT DATE | SARS GRANTED | FAIR VALUE PER RIGHT AT GRANT DATE | VESTING DATE       | NO. VESTED DURING THE YEAR | NO. LAPSED DURING THE YEAR |
|----------------|------|------------|--------------|------------------------------------|--------------------|----------------------------|----------------------------|
| Director       |      |            |              |                                    |                    |                            |                            |
| F Wolf         | 2014 | 29/11/2013 | 277,408      | \$1.978                            | 13/09/2014 to 2017 | -                          | -                          |
|                | 2013 | 15/05/2013 |              |                                    | 09/13/2013         | 53,105                     | -                          |
| Executives     |      |            |              |                                    |                    |                            |                            |
| E Varejes      | 2014 | 29/11/2013 | 66,576       | \$1.978                            | 13/09/2014 to 2017 | -                          | -                          |
|                | 2013 | 15/05/2013 |              |                                    | 09/13/2013         | 21,242                     | -                          |
| C Aarons       | 2014 | 29/11/2013 | 44,384       | \$1.978                            | 13/09/2014 to 2017 | -                          | -                          |
|                | 2013 | 15/05/2013 |              |                                    | 09/13/2013         | 16,340                     | -                          |
| R Baulderstone | 2014 | 29/11/2013 | 66,576       | \$1.978                            | 13/09/2014 to 2017 | -                          | -                          |
|                | 2013 | 15/05/2013 |              |                                    | 09/13/2013         | 16,340                     | -                          |
| J L'Estrange   | 2014 | 29/11/2013 | 48,824       | \$1.978                            | 13/09/2014 to 2017 | -                          | -                          |
|                | 2013 | 15/05/2013 |              |                                    | 09/13/2013         | 18,730                     | -                          |
| C Laird        | 2014 | 29/11/2013 | 66,576       | \$1.978                            | 13/09/2014 to 2017 | -                          | -                          |
|                | 2013 | 15/05/2013 |              |                                    | 09/13/2013         | 17,913                     | -                          |
| L Lloyd        | 2013 | 15/05/2013 |              |                                    | 09/13/2013         | 15,319                     | -                          |
| P Strain       | 2014 | 29/11/2013 | 66,576       | \$1.978                            | 13/09/2014 to 2017 | -                          | -                          |
|                | 2013 | 15/05/2013 |              |                                    | 09/13/2013         | 16,340                     | -                          |

| TABLE 2        | VALUE OF SARS GRANTED DURING THE YEAR \$ | VALUE OF SARS EXERCISED DURING THE YEAR \$ | VALUE OF SARS LAPSED DURING THE YEAR \$ |
|----------------|------------------------------------------|--------------------------------------------|-----------------------------------------|
| F Wolf         | 548,713                                  | 129,894                                    | -                                       |
| E Varejes      | 131,687                                  | 51,967                                     | -                                       |
| C Aarons       | 87,792                                   | 39,975                                     | -                                       |
| R Baulderstone | 131,687                                  | 39,975                                     | -                                       |
| J L'Estrange   | 96,574                                   | 45,820                                     | -                                       |
| C Laird        | 131,687                                  | 43,822                                     | -                                       |
| L Lloyd        | -                                        | 37,475                                     | -                                       |
| P Strain       | 131,687                                  | 39,975                                     | -                                       |

Refer to note 28 for details on the valuation the SARs, including models and assumptions used.

There were no alterations to the terms and conditions of the SARs since their grant date.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Deferred Security Acquisition Rights Plan (continued)

Securities acquired on exercise of options:

| TABLE 3        | SECURITIES<br>ACQUIRED<br>NO. | PAID PER<br>SECURITY<br>\$ |
|----------------|-------------------------------|----------------------------|
| F Wolf         | 56,965                        | 2.27                       |
| E Varejes      | 22,786                        | 2.27                       |
| C Aarons       | 17,528                        | 2.27                       |
| R Boulderstone | 17,528                        | 2.27                       |
| J L'Estrange   | 20,091                        | 2.27                       |
| C Laird        | 19,215                        | 2.27                       |
| L Loyd         | 16,432                        | 2.27                       |
| P Strain       | 17,528                        | 2.27                       |

The number of securities acquired is based on the SARs that vested in the year and the distributions that would have been paid on that number of securities from the grant date to the allocation date.

SARs holdings of key management personnel:

| TABLE 4           | BALANCE<br>1 JULY 2013 | GRANTED AS<br>REMUNERATION | SARS<br>EXERCISED | BALANCE<br>30 JUNE 2014 | VESTED<br>30 JUNE 2014 |
|-------------------|------------------------|----------------------------|-------------------|-------------------------|------------------------|
| <b>Director</b>   |                        |                            |                   |                         |                        |
| F Wolf            | 212,420                | 277,408                    | (53,105)          | 436,723                 | -                      |
| <b>Executives</b> |                        |                            |                   |                         |                        |
| E Varejes         | 84,968                 | 66,576                     | (21,242)          | 130,302                 | -                      |
| C Aarons          | 65,360                 | 44,384                     | (16,340)          | 93,404                  | -                      |
| R Boulderstone    | 65,360                 | 66,576                     | (16,340)          | 115,596                 | -                      |
| J L'Estrange      | 74,920                 | 48,824                     | (18,730)          | 105,014                 | -                      |
| C Laird           | 71,652                 | 66,576                     | (17,913)          | 120,315                 | -                      |
| L Loyd            | 61,276                 | -                          | (15,319)          | 45,957                  | -                      |
| P Strain          | 65,360                 | 66,576                     | (16,340)          | 115,596                 | -                      |
| <b>Total</b>      | <b>701,316</b>         | <b>636,920</b>             | <b>(175,329)</b>  | <b>1,162,907</b>        | <b>-</b>               |

## REMUNERATION REPORT (AUDITED) (CONTINUED)

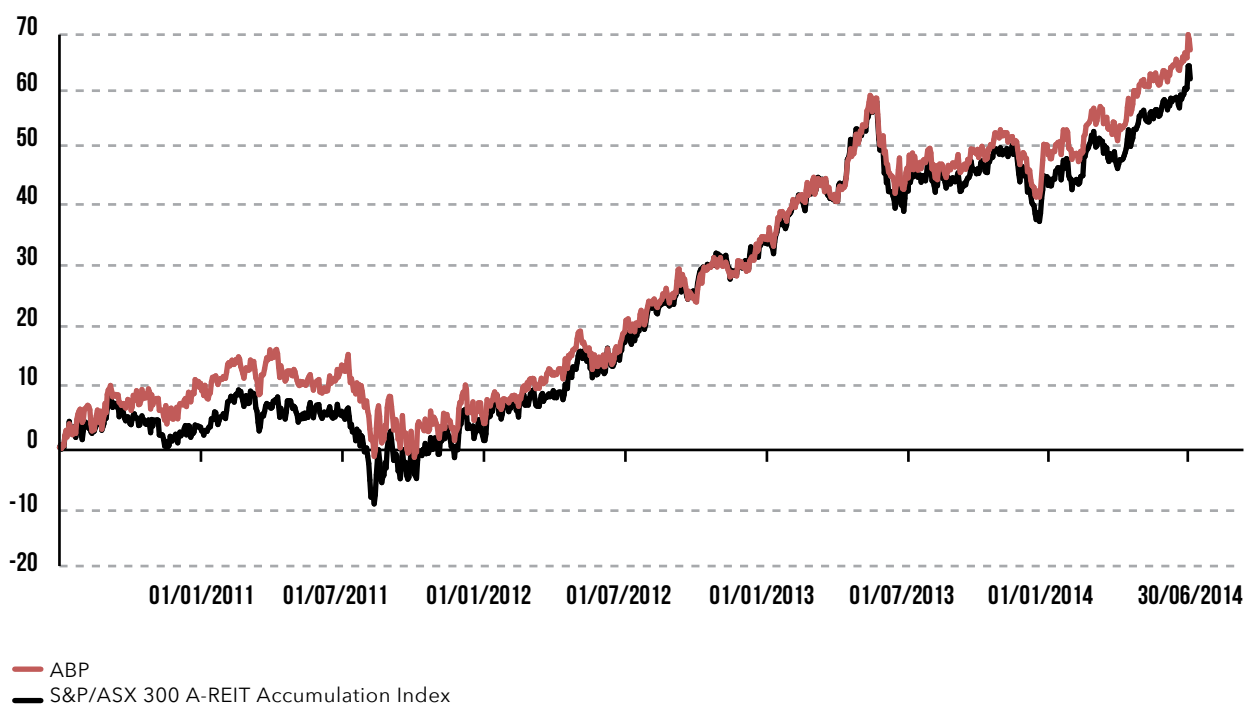
### Link between remuneration policy and Abacus' performance

Abacus' performance is compared with its peers in the S&P/ASX 300 A-REIT index. This peer group reflects Abacus' competitors for capital transactions and management expertise. As previously discussed, KMPs and other selected executives are eligible to receive current variable remuneration and a deferred variable remuneration. Both 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.

The variable remuneration strategy is designed to drive sustainable and growing underlying profit that covers the distribution level implicit in the Abacus security price.

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

### ABP AND S&P/ASX 300 A-REIT ACCUMULATION INDEX TOTAL RETURN (%) Since 1 July 2010



Abacus' performance for the past five years is as follows:

|                                            | 2010    | 2011*  | 2012   | 2013   | 2014   |
|--------------------------------------------|---------|--------|--------|--------|--------|
| Underlying earnings per security (cents)** | 3.90    | 19.38  | 19.17  | 18.76  | 20.83  |
| Distributions paid and proposed (cents)    | 3.15    | 16.50  | 16.50  | 16.50  | 16.75  |
| Closing security price (30 June)           | \$0.41  | \$2.31 | \$2.04 | \$2.27 | \$2.50 |
| Net tangible assets per security***        | \$0.58  | \$2.51 | \$2.34 | \$2.32 | \$2.38 |
| Weighted average securities on issue       | 1662.5m | 372.3m | 400.9m | 446.4m | 486.1m |

\* Abacus securities were consolidated on a 5:1 basis on 29 November 2010.

\*\* Underlying earnings are unaudited.

\*\*\* Net tangible assets per security include the impact of the fair value movements.

## 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 deferred variable income plans that are made available and to receive current variable remuneration payments;
- Dr Wolf may resign from his position and thus terminate this contract by giving 6 months written notice; and
- Abacus 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. Abacus 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 variable remuneration allocations vest according to the SARs plan rules.

### Securityholdings of key management personnel

| TABLE 5           | BALANCE<br>1 JULY 2013 | VESTING OF<br>SARS | PURCHASES/<br>(SALES) | BALANCE<br>30 JUNE 2014 |
|-------------------|------------------------|--------------------|-----------------------|-------------------------|
| <b>Directors</b>  |                        |                    |                       |                         |
| J Thame           | 55,365                 | -                  | 19,911                | 75,276                  |
| F Wolf            | 2,837,465              | 56,965             | 19,911                | 2,914,341               |
| W Bartlett        | 22,807                 | -                  | 6,637                 | 29,444                  |
| M Irving          | 31,471                 | -                  | 9,001                 | 40,472                  |
| <b>Executives</b> |                        |                    |                       |                         |
| E Varejes         | 75,414                 | 22,786             | -                     | 98,200                  |
| C Aarons          | 26,889                 | 17,528             | 13,274                | 57,691                  |
| R Boulderstone    | 5,378                  | 17,528             | 3,318                 | 26,224                  |
| J L'Estrange      | -                      | 20,091             | 740                   | 20,831                  |
| C Laird           | -                      | 19,215             | -                     | 19,215                  |
| L Loyd            | -                      | 16,432             | 33,274                | 49,706                  |
| P Strain          | 38,387                 | 17,528             | 10,166                | 66,081                  |
| <b>Total</b>      | <b>3,093,176</b>       | <b>188,073</b>     | <b>116,232</b>        | <b>3,397,481</b>        |

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

### Loans to key management personnel

There were no loans to key management personnel and their related parties at any time in 2014 or in the prior year.

### Other transactions with key management personnel

During the year, transactions occurred between the Group and key management personnel on terms and conditions no more favourable than those entered into by unrelated customers.

**TABLE 6: REMUNERATION OF KEY MANAGEMENT PERSONNEL**

| 2014                                           | SHORT-TERM BENEFITS |                            |                       |                         | POST EMPLOYMENT |                      |        | LONG-TERM BENEFITS | SECURITY-BASED PAYMENT | TOTAL   | PERFORMANCE RELATED | SARS RELATED |
|------------------------------------------------|---------------------|----------------------------|-----------------------|-------------------------|-----------------|----------------------|--------|--------------------|------------------------|---------|---------------------|--------------|
|                                                | TOTAL CASH PAYMENTS |                            |                       |                         |                 |                      |        |                    |                        |         |                     |              |
|                                                | SALARY & FEES       | CURRENT VARIABLE INCENTIVE | NON-MONETARY BENEFITS | AND SHORT TERM BENEFITS | SUPERANNUATION  | LEAVE ON TERMINATION |        |                    |                        |         |                     |              |
|                                                | \$                  | \$                         | \$                    | \$                      | \$              | \$                   | \$     | \$                 | \$                     | \$      | %                   | %            |
| Non-executive directors                        |                     |                            |                       |                         |                 |                      |        |                    |                        |         |                     |              |
| J Thame – Chairman                             | 192,378             | -                          | -                     | 192,378                 | 17,704          | -                    | -      | -                  | -                      | 210,082 | -                   | -            |
| W Bartlett                                     | 104,271             | -                          | -                     | 104,271                 | 9,645           | -                    | -      | -                  | -                      | 113,916 | -                   | -            |
| M Irving                                       | 127,612             | -                          | -                     | 127,612                 | 11,804          | -                    | -      | -                  | -                      | 139,416 | -                   | -            |
| M Salkinder                                    | 99,542              | -                          | -                     | 99,542                  | 9,207           | -                    | -      | -                  | -                      | 108,749 | -                   | -            |
| Sub-total non-executive directors              | 523,803             | -                          | -                     | 523,803                 | 48,360          | -                    | -      | -                  | -                      | 572,163 |                     |              |
| Executive Directors                            |                     |                            |                       |                         |                 |                      |        |                    |                        |         |                     |              |
| F Wolf – Managing Director                     | 1,270,927           | 750,000                    | 5,135                 | 2,026,062               | 29,073          | -                    | 21,236 | 334,635            | 2,411,006              |         | 45                  | 14           |
| Other key management personnel                 |                     |                            |                       |                         |                 |                      |        |                    |                        |         |                     |              |
| E Varejes – Chief Operating Officer            | 485,000             | 180,000                    | 5,135                 | 670,135                 | 35,000          | -                    | 8,247  | 102,495            | 815,877                |         | 35                  | 13           |
| C Aarons – Head of Strategy                    | 375,000             | 100,000                    | 5,135                 | 480,135                 | 25,000          | -                    | 6,285  | 74,018             | 585,438                |         | 30                  | 13           |
| R Baulderstone – Chief Financial Officer       | 425,000             | 175,000                    | -                     | 600,000                 | 35,000          | -                    | 15,370 | 89,697             | 740,067                |         | 36                  | 12           |
| C Laird – Director Property Ventures           | 440,725             | 200,000                    | 5,135                 | 645,860                 | 17,775          | -                    | 9,069  | 93,803             | 766,507                |         | 38                  | 12           |
| J L'Estrange – Director Property Ventures      | 433,500             | 110,000                    | 5,135                 | 548,635                 | 25,000          | -                    | 6,753  | 83,395             | 663,783                |         | 29                  | 13           |
| L Lloyd – Managing Director, Property Services | 288,559             | 100,000                    | -                     | 388,559                 | 35,000          | -                    | 4,593  | 39,995             | 468,147                |         | 30                  | 9            |
| P Strain – Director Property                   | 433,500             | 160,000                    | 5,135                 | 598,635                 | 25,000          | -                    | 10,987 | 89,697             | 724,319                |         | 34                  | 12           |
| Sub-total executive KMP                        | 4,152,211           | 1,775,000                  | 30,810                | 5,958,021               | 226,848         | -                    | 82,540 | 907,735            | 7,175,144              |         |                     |              |
| Total                                          | 4,676,014           | 1,775,000                  | 30,810                | 6,481,824               | 275,208         | -                    | 82,540 | 907,735            | 7,747,307              |         |                     |              |

\* Accrued not presently entitled.

**TABLE 6: REMUNERATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)**

| 2013                                                  | SHORT-TERM BENEFITS |                            |                       |                                             | POST EMPLOYMENT |                |                      | LONG-TERM BENEFITS  | SECURITY-BASED PAYMENT             | TOTAL   | PERFORMANCE RELATED | SARS RELATED |
|-------------------------------------------------------|---------------------|----------------------------|-----------------------|---------------------------------------------|-----------------|----------------|----------------------|---------------------|------------------------------------|---------|---------------------|--------------|
|                                                       | SALARY & FEES       | CURRENT VARIABLE INCENTIVE | NON-MONETARY BENEFITS | TOTAL CASH PAYMENTS AND SHORT TERM BENEFITS |                 | SUPERANNUATION | LEAVE ON TERMINATION | LONG SERVICE LEAVE* | SECURITY ACQUISITION RIGHTS(SARS)* |         |                     |              |
|                                                       |                     |                            |                       | \$                                          | \$              |                |                      |                     |                                    |         |                     |              |
| Non-executive directors                               |                     |                            |                       |                                             |                 |                |                      |                     |                                    |         |                     |              |
| J Thame - Chairman                                    | 183,530             | -                          | -                     | 183,530                                     | 16,470          | -              | -                    | -                   | -                                  | 200,000 | -                   | -            |
| W Bartlett                                            | 93,578              | -                          | -                     | 93,578                                      | 8,422           | -              | -                    | -                   | -                                  | 102,000 | -                   | -            |
| D Bastian (retired 14 November 2012)                  | 17,999              | -                          | -                     | 17,999                                      | 20,751          | -              | -                    | -                   | -                                  | 38,750  | -                   | -            |
| M Irving                                              | 133,000             | -                          | -                     | 133,000                                     | -               | -              | -                    | -                   | -                                  | 133,000 | -                   | -            |
| M Salkinder                                           | 87,156              | -                          | -                     | 87,156                                      | 7,844           | -              | -                    | -                   | -                                  | 95,000  | -                   | -            |
| Sub-total non-executive directors                     | 515,263             | -                          | -                     | 515,263                                     | 53,487          | -              | -                    | -                   | -                                  | 568,750 |                     |              |
| Executive Directors                                   |                     |                            |                       |                                             |                 |                |                      |                     |                                    |         |                     |              |
| F Wolf – Managing Director                            | 1,275,000           | 625,000                    | 5,135                 | 1,905,135                                   | 25,000          | -              | 38,023               | 266,632             | 2,234,790                          | 40      | 12                  |              |
| Other key management personnel                        |                     |                            |                       |                                             |                 |                |                      |                     |                                    |         |                     |              |
| E Varejes – Chief Operating Officer                   | 495,000             | 150,000                    | 5,135                 | 650,135                                     | 25,000          | -              | 10,499               | 106,653             | 792,287                            | 32      | 13                  |              |
| C Aarons – Head of Strategy <sup>#</sup>              | 375,000             | 100,000                    | 5,135                 | 480,135                                     | 25,000          | -              | 34,371               | 82,040              | 621,546                            | 29      | 13                  |              |
| R de Aboitiz – Chief Financial Officer <sup>^</sup>   | 197,304             | -                          | -                     | 197,304                                     | 6,863           | 21,247         | 2,609                | -                   | 228,023                            | -       | -                   | -            |
| R Baulderstone – Chief Financial Officer <sup>^</sup> | 230,417             | 150,000                    | -                     | 380,417                                     | 14,583          | -              | 3,226                | 82,040              | 480,266                            | 48      | 17                  |              |
| C Laird – Director Property Ventures                  | 422,030             | 175,000                    | 2,568                 | 599,598                                     | 16,470          | -              | 38,091               | 89,938              | 744,097                            | 36      | 12                  |              |
| J L'Estrange – Director Property Ventures             | 433,500             | 110,000                    | 5,135                 | 548,635                                     | 25,000          | -              | 6,774                | 94,040              | 674,449                            | 30      | 14                  |              |
| L Lloyd – Managing Director, Property Services        | 375,000             | 100,000                    | -                     | 475,000                                     | 25,000          | -              | 6,262                | 76,914              | 583,176                            | 30      | 13                  |              |
| P Strain – Director Property                          | 412,750             | 150,000                    | 5,135                 | 567,885                                     | 25,000          | -              | 9,031                | 82,040              | 683,956                            | 34      | 12                  |              |
| Sub-total executive KMP                               | 4,216,001           | 1,560,000                  | 28,243                | 5,804,244                                   | 187,916         | 21,247         | 148,886              | 880,297             | 7,042,590                          |         |                     |              |
| Total                                                 | 4,731,264           | 1,560,000                  | 28,243                | 6,319,507                                   | 241,403         | 21,247         | 148,886              | 880,297             | 7,611,340                          |         |                     |              |

<sup>#</sup> Ms Aarons was appointed to the Executive Committee in July 2012.<sup>^</sup> Mr de Aboitiz resigned and Mr Baulderstone was appointed in November 2012.

\* Accrued not presently entitled

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



**John Thame**  
**Chairman**  
Sydney, 28 August 2014



**Frank Wolf**  
**Managing Director**



Ernst & Young  
680 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
ey.com

### 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 2014, 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.

Ernst & Young

Kathy Parsons  
Partner  
28 August 2014

# FINANCIAL STATEMENTS

30 JUNE 2014

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## 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  
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

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 2014. 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.

# CONSOLIDATED INCOME STATEMENT

YEAR ENDED 30 JUNE 2014

|                                                                                                        | NOTES | 2014<br>\$'000 | 2013<br>\$'000 |
|--------------------------------------------------------------------------------------------------------|-------|----------------|----------------|
| <b>REVENUE</b>                                                                                         |       |                |                |
| Rental income                                                                                          |       | 107,336        | 95,010         |
| Storage income                                                                                         |       | 49,658         | 45,249         |
| Hotel income                                                                                           |       | 52,633         | 55,184         |
| Finance income                                                                                         | 6(a)  | 19,606         | 21,721         |
| Funds management income                                                                                | 6(b)  | 2,607          | 7,509          |
| Sale of inventory                                                                                      |       | 138,584        | 56,347         |
| <b>Total Revenue</b>                                                                                   |       | <b>370,424</b> | <b>281,020</b> |
| <b>OTHER INCOME</b>                                                                                    |       |                |                |
| Net change in fair value of investment properties derecognised                                         |       | 12,335         | 1,973          |
| Net change in fair value of investments and financial instruments derecognised                         |       | 2,814          | 6,854          |
| Net change in fair value of investment properties and property, plant & equipment held at balance date |       | 24,528         | 497            |
| Net change in fair value of investments held at balance date                                           | 6(c)  | 2,068          | 5,409          |
| Share of profit from equity accounted investments                                                      | 17(b) | 12,525         | 10,164         |
| <b>Total Revenue and Other Income</b>                                                                  |       | <b>424,694</b> | <b>305,917</b> |
| Property expenses and outgoings                                                                        |       | (20,158)       | (17,806)       |
| Storage expenses                                                                                       |       | (18,208)       | (15,981)       |
| Hotel expenses                                                                                         |       | (41,098)       | (38,928)       |
| Depreciation, amortisation and impairment expense                                                      | 7(a)  | (8,912)        | (6,999)        |
| Cost of inventory sales                                                                                | 7(b)  | (124,252)      | (48,176)       |
| Net change in fair value of derivatives                                                                |       | (14,533)       | (1,153)        |
| Loss on consolidation                                                                                  | 27    | -              | (18,943)       |
| Finance costs                                                                                          | 7(c)  | (50,930)       | (56,244)       |
| Administrative and other expenses                                                                      | 7(d)  | (24,526)       | (27,368)       |
| <b>PROFIT BEFORE TAX</b>                                                                               |       | <b>122,077</b> | <b>74,319</b>  |
| Income tax expense                                                                                     | 8(a)  | (14,710)       | (6,839)        |
| <b>NET PROFIT AFTER TAX</b>                                                                            |       | <b>107,367</b> | <b>67,480</b>  |
| <b>PROFIT ATTRIBUTABLE TO:</b>                                                                         |       |                |                |
| Equity holders of the parent entity (AGHL)                                                             |       | 21,457         | 3,691          |
| <i>Equity holders of other stapled entities</i>                                                        |       |                |                |
| AT members                                                                                             |       | 56,007         | 32,074         |
| AGPL members                                                                                           |       | 10,078         | 5,391          |
| AIT members                                                                                            |       | 4,307          | 6,751          |
| ASPT members                                                                                           |       | (11,385)       | (12,820)       |
| ASOL members                                                                                           |       | 27,809         | 25,965         |
| <b>Stapled security holders</b>                                                                        |       | <b>108,273</b> | <b>61,052</b>  |
| Net profit attributable to external non-controlling interests                                          |       | (906)          | 6,428          |
| <b>NET PROFIT</b>                                                                                      |       | <b>107,367</b> | <b>67,480</b>  |
| Basic and diluted earnings per stapled security (cents)                                                | 10    | 22.27          | 13.68          |

# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2014

|                                                                                                                      | 2014<br>\$'000 | 2013<br>\$'000 |
|----------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>NET PROFIT AFTER TAX</b>                                                                                          | 107,367        | 67,480         |
| <b>OTHER COMPREHENSIVE INCOME</b>                                                                                    |                |                |
| <i>Items that will not be reclassified subsequently to the income statement</i>                                      |                |                |
| Revaluation of assets, net of tax                                                                                    | (63)           | (6,062)        |
| <i>Items that may be reclassified subsequently to the income statement</i>                                           |                |                |
| Foreign exchange translation adjustments, net of tax                                                                 | 3,944          | 1,737          |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                                                                       | <b>111,248</b> | <b>63,155</b>  |
| <b>Total comprehensive income attributable to:</b>                                                                   |                |                |
| Members of the APG Group                                                                                             | 111,532        | 62,099         |
| External non-controlling interests                                                                                   | (284)          | 1,056          |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                                                                       | <b>111,248</b> | <b>63,155</b>  |
| <b>Total comprehensive income / (loss) attributable to members of the Group analysed by amounts attributable to:</b> |                |                |
| AGHL members                                                                                                         | 22,403         | 3,288          |
| AT members                                                                                                           | 56,007         | 32,074         |
| AGPL members                                                                                                         | 10,078         | 5,469          |
| AIT members                                                                                                          | 4,307          | 6,751          |
| ASPT members                                                                                                         | (9,155)        | (11,517)       |
| ASOL members                                                                                                         | 27,892         | 26,034         |
| <b>TOTAL COMPREHENSIVE INCOME AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE GROUP</b>                                     | <b>111,532</b> | <b>62,099</b>  |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

|                                       | NOTES | 2014<br>\$'000   | 2013<br>\$'000   |
|---------------------------------------|-------|------------------|------------------|
| <b>CURRENT ASSETS</b>                 |       |                  |                  |
| Cash and cash equivalents             | 11    | 61,653           | 44,822           |
| Trade and other receivables           | 12(a) | 21,165           | 19,560           |
| Property, plant and equipment         | 14    | 2,700            | -                |
| Investment properties held for sale   | 16    | 186,543          | 175,710          |
| Inventory                             | 15(a) | 14,182           | 72,992           |
| Property loans                        | 13(a) | 4,939            | 2,452            |
| Derivatives at fair value             |       | 247              | -                |
| Other                                 |       | 3,407            | 3,636            |
| <b>TOTAL CURRENT ASSETS</b>           |       | <b>294,836</b>   | <b>319,172</b>   |
| <b>NON-CURRENT ASSETS</b>             |       |                  |                  |
| Trade and other receivables           | 12(b) | 7,085            | 6,897            |
| Investment properties                 | 16    | 1,158,951        | 1,221,395        |
| Inventory                             | 15(b) | 85,020           | 91,942           |
| Property loans                        | 13(b) | 184,415          | 138,370          |
| Other financial assets                | 13(c) | 30,473           | 28,282           |
| Property, plant and equipment         | 14    | 154,383          | 152,100          |
| Equity accounted investments          | 17    | 125,432          | 124,458          |
| Deferred tax assets                   | 8(c)  | 5,480            | 11,923           |
| Intangible assets and goodwill        | 18    | 33,261           | 33,261           |
| <b>TOTAL NON-CURRENT ASSETS</b>       |       | <b>1,784,500</b> | <b>1,808,628</b> |
| <b>TOTAL ASSETS</b>                   |       | <b>2,079,336</b> | <b>2,127,800</b> |
| <b>CURRENT LIABILITIES</b>            |       |                  |                  |
| Trade and other payables              | 19    | 21,527           | 63,313           |
| Interest-bearing loans and borrowings | 20    | 16,667           | 164,318          |
| Derivatives at fair value             |       | -                | 1,263            |
| Income tax payable                    |       | 6,357            | 876              |
| Other financial liabilities           | 30    | 1,136            | 11,000           |
| Other                                 |       | 7,335            | 6,112            |
| <b>TOTAL CURRENT LIABILITIES</b>      |       | <b>53,022</b>    | <b>246,882</b>   |
| <b>NON-CURRENT LIABILITIES</b>        |       |                  |                  |
| Interest-bearing loans and borrowings | 20    | 620,247          | 639,290          |
| Derivatives at fair value             |       | 57,602           | 55,942           |
| Deferred tax liabilities              | 8(c)  | 10,323           | 10,312           |
| Other financial liabilities           | 30    | 45,983           | 45,250           |
| Other                                 |       | 1,969            | 2,304            |
| <b>TOTAL NON-CURRENT LIABILITIES</b>  |       | <b>736,124</b>   | <b>753,098</b>   |
| <b>TOTAL LIABILITIES</b>              |       | <b>789,146</b>   | <b>999,980</b>   |
| <b>NET ASSETS</b>                     |       | <b>1,290,190</b> | <b>1,127,820</b> |
| <b>TOTAL EQUITY</b>                   |       | <b>1,290,190</b> | <b>1,127,820</b> |

|                                                                        | NOTES | 2014<br>\$'000   | 2013<br>\$'000   |
|------------------------------------------------------------------------|-------|------------------|------------------|
| <b>Equity attributable to members of AGHL:</b>                         |       |                  |                  |
| Contributed equity                                                     |       | 304,410          | 162,070          |
| Reserves                                                               |       | 8,433            | 6,816            |
| Accumulated losses                                                     |       | (22,528)         | (43,984)         |
| <b>Total equity attributable to members of AGHL:</b>                   |       | <b>290,315</b>   | <b>124,902</b>   |
| <b>Equity attributable to unitholders of AT:</b>                       |       |                  |                  |
| Contributed equity                                                     |       | 840,236          | 804,153          |
| Accumulated losses                                                     |       | (139,036)        | (152,236)        |
| <b>Total equity attributable to unitholders of AT:</b>                 |       | <b>701,200</b>   | <b>651,917</b>   |
| <b>Equity attributable to members of AGPL:</b>                         |       |                  |                  |
| Contributed equity                                                     |       | 23,431           | 21,018           |
| Accumulated losses                                                     |       | (2,060)          | (12,138)         |
| <b>Total equity attributable to members of AGPL:</b>                   |       | <b>21,371</b>    | <b>8,880</b>     |
| <b>Equity attributable to unitholders of AIT:</b>                      |       |                  |                  |
| Contributed equity                                                     |       | 116,575          | 177,151          |
| Accumulated losses                                                     |       | (49,992)         | (18,894)         |
| <b>Total equity attributable to unitholders of AIT:</b>                |       | <b>66,583</b>    | <b>158,257</b>   |
| <b>Equity attributable to members of ASPT:</b>                         |       |                  |                  |
| Contributed equity                                                     |       | 103,092          | 90,589           |
| Reserves                                                               |       | 1,209            | (1,021)          |
| Retained earnings                                                      |       | (15,822)         | (4,437)          |
| <b>Total equity attributable to members of ASPT:</b>                   |       | <b>88,479</b>    | <b>85,131</b>    |
| <b>Equity attributable to members of ASOL:</b>                         |       |                  |                  |
| Contributed equity                                                     |       | 16,012           | 13,400           |
| Reserves                                                               |       | 164              | 82               |
| Retained earnings                                                      |       | 69,275           | 41,466           |
| <b>Total equity attributable to members of ASOL:</b>                   |       | <b>85,451</b>    | <b>54,948</b>    |
| <b>Equity attributable to external non-controlling interest:</b>       |       |                  |                  |
| Contributed equity                                                     |       | 73,668           | 78,007           |
| Reserves                                                               |       | 674              | 52               |
| Accumulated losses                                                     |       | (37,551)         | (34,274)         |
| <b>Total equity attributable to external non-controlling interest:</b> |       | <b>36,791</b>    | <b>43,785</b>    |
| <b>TOTAL EQUITY</b>                                                    |       | <b>1,290,190</b> | <b>1,127,820</b> |
| Contributed equity                                                     | 23    | 1,403,756        | 1,268,381        |
| Reserves                                                               |       | 9,806            | 5,877            |
| Accumulated losses                                                     |       | (160,163)        | (190,223)        |
| Total stapled security holders' interest in equity                     |       | 1,253,399        | 1,084,035        |
| Total external non-controlling interest                                |       | 36,791           | 43,785           |
| <b>TOTAL EQUITY</b>                                                    |       | <b>1,290,190</b> | <b>1,127,820</b> |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2014

|                                                | ATTRIBUTABLE TO THE STAPLED SECURITY HOLDER |                                           |                                              |                                          |                                | EXTERNAL                                  |                           |
|------------------------------------------------|---------------------------------------------|-------------------------------------------|----------------------------------------------|------------------------------------------|--------------------------------|-------------------------------------------|---------------------------|
| CONSOLIDATED                                   | ISSUED<br>CAPITAL<br>\$'000                 | ASSET<br>REVALUATION<br>RESERVE<br>\$'000 | FOREIGN<br>CURRENCY<br>TRANSLATION<br>\$'000 | EMPLOYEE<br>EQUITY<br>BENEFITS<br>\$'000 | RETAINED<br>EARNINGS<br>\$'000 | NON-<br>CONTROLLING<br>INTEREST<br>\$'000 | TOTAL<br>EQUITY<br>\$'000 |
| <b>At 1 July 2013</b>                          | 1,268,381                                   | 39                                        | (778)                                        | 6,616                                    | (190,223)                      | 43,785                                    | 1,127,820                 |
| Other comprehensive income                     | -                                           | (39)                                      | 3,295                                        | -                                        | -                              | 625                                       | 3,881                     |
| Net income for the year                        | -                                           | -                                         | -                                            | -                                        | 108,273                        | (906)                                     | 107,367                   |
| <b>Total comprehensive income for the year</b> | <b>-</b>                                    | <b>(39)</b>                               | <b>3,295</b>                                 | <b>-</b>                                 | <b>108,273</b>                 | <b>(281)</b>                              | <b>111,248</b>            |
| Equity raisings                                | 95,968                                      | -                                         | -                                            | -                                        | -                              | -                                         | 95,968                    |
| Return of capital                              | -                                           | -                                         | -                                            | -                                        | -                              | (4,339)                                   | (4,339)                   |
| Issue costs                                    | (820)                                       | -                                         | -                                            | -                                        | -                              | -                                         | (820)                     |
| Distribution reinvestment plan                 | 40,227                                      | -                                         | -                                            | -                                        | -                              | -                                         | 40,227                    |
| Security acquisition rights                    | -                                           | -                                         | -                                            | 673                                      | -                              | -                                         | 673                       |
| Distribution to security holders               | -                                           | -                                         | -                                            | -                                        | (78,213)                       | (2,374)                                   | (80,587)                  |
| <b>At 30 June 2014</b>                         | <b>1,403,756</b>                            | <b>-</b>                                  | <b>2,517</b>                                 | <b>7,289</b>                             | <b>(160,163)</b>               | <b>36,791</b>                             | <b>1,290,190</b>          |

|                                                | ATTRIBUTABLE TO THE STAPLED SECURITY HOLDER |                                           |                                              |                                          |                                | EXTERNAL                                  |                           |
|------------------------------------------------|---------------------------------------------|-------------------------------------------|----------------------------------------------|------------------------------------------|--------------------------------|-------------------------------------------|---------------------------|
| CONSOLIDATED                                   | ISSUED<br>CAPITAL<br>\$'000                 | ASSET<br>REVALUATION<br>RESERVE<br>\$'000 | FOREIGN<br>CURRENCY<br>TRANSLATION<br>\$'000 | EMPLOYEE<br>EQUITY<br>BENEFITS<br>\$'000 | RETAINED<br>EARNINGS<br>\$'000 | NON-<br>CONTROLLING<br>INTEREST<br>\$'000 | TOTAL<br>EQUITY<br>\$'000 |
| <b>At 1 July 2012</b>                          | 1,231,994                                   | 612                                       | (2,397)                                      | 5,448                                    | (178,734)                      | 50,969                                    | 1,107,892                 |
| Other comprehensive income                     | -                                           | (573)                                     | 1,619                                        | -                                        | -                              | (5,371)                                   | (4,325)                   |
| Net income for the year                        | -                                           | -                                         | -                                            | -                                        | 61,052                         | 6,428                                     | 67,480                    |
| <b>Total comprehensive income for the year</b> | <b>-</b>                                    | <b>(573)</b>                              | <b>1,619</b>                                 | <b>-</b>                                 | <b>61,052</b>                  | <b>1,057</b>                              | <b>63,155</b>             |
| Distribution reinvestment plan                 | 36,387                                      | -                                         | -                                            | -                                        | -                              | -                                         | 36,387                    |
| Security acquisition rights                    | -                                           | -                                         | -                                            | 1,168                                    | -                              | -                                         | 1,168                     |
| Distribution to security holders               | -                                           | -                                         | -                                            | -                                        | (72,541)                       | (8,241)                                   | (80,782)                  |
| <b>At 30 June 2013</b>                         | <b>1,268,381</b>                            | <b>39</b>                                 | <b>(778)</b>                                 | <b>6,616</b>                             | <b>(190,223)</b>               | <b>43,785</b>                             | <b>1,127,820</b>          |

# CONSOLIDATED STATEMENT OF CASH FLOW

YEAR ENDED 30 JUNE 2014

|                                                                   | NOTES     | 2014<br>\$'000   | 2013<br>\$'000  |
|-------------------------------------------------------------------|-----------|------------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |           |                  |                 |
| Income receipts                                                   |           | 353,192          | 302,100         |
| Interest received                                                 |           | 3,009            | 4,051           |
| Distributions received                                            |           | 1,207            | 259             |
| Income tax paid                                                   |           | (2,754)          | (2,286)         |
| Finance costs paid                                                |           | (50,214)         | (47,892)        |
| Operating payments                                                |           | (124,831)        | (87,399)        |
| Payments for land acquisitions                                    |           | (59,022)         | (45,625)        |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                   | <b>11</b> | <b>120,587</b>   | <b>123,208</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |           |                  |                 |
| Payments for investments and funds advanced                       |           | (96,906)         | (30,811)        |
| Proceeds from sale and settlement of investments and funds repaid |           | 3,955            | 25,503          |
| Purchase of property, plant and equipment                         |           | (6,764)          | (7,822)         |
| Purchase of investment properties                                 |           | (110,173)        | (111,722)       |
| Disposal of investment properties                                 |           | 232,035          | 86,246          |
| Consolidation of AWLF                                             |           | -                | 2,042           |
| Payment for other investments                                     |           | (417)            | (6,133)         |
| <b>NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>       |           | <b>21,730</b>    | <b>(42,697)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |           |                  |                 |
| Proceeds from issue of stapled securities                         |           | 95,968           | -               |
| Return of capital                                                 |           | (4,339)          | -               |
| Payment of issue / finance costs                                  |           | (4,065)          | (733)           |
| Repayment of borrowings                                           |           | (305,595)        | (121,833)       |
| Proceeds from borrowings                                          |           | 138,005          | 81,384          |
| Distributions paid                                                |           | (45,923)         | (49,057)        |
| <b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>                |           | <b>(125,949)</b> | <b>(90,239)</b> |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>     |           | <b>16,368</b>    | <b>(9,728)</b>  |
| Net foreign exchange differences                                  |           | 463              | 421             |
| Cash and cash equivalents at beginning of year                    |           | 44,822           | 54,129          |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                   | <b>11</b> | <b>61,653</b>    | <b>44,822</b>   |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

## 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 financial report of the Group for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 28 August 2014.

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 following amending Standards have been adopted from 1 July 2013 along with the required changes arising from improvements to AASBs 2009-2011 cycle. Adoption of these standards and interpretations did not have any material effect on the financial position or performance of the Group.

- AASB 119 - Employee Benefits: 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.

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.

- AASB 2011-4 - Related Party Disclosures: This amendment deletes from AASB124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions where this information has been disclosed in the Directors Report.

- AASB 1053 - Application of Tiers of Australian Accounting Standards: This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

(a) Tier 1: Australian Accounting Standards

(b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements

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

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

The following Standards have been adopted from 1 July 2013 and have not had a material financial impact on the Group:

AASB 13 – Fair Value Measurement: 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. Adoption of AASB13 has expanded the disclosure requirements for all assets or liabilities carried at fair value by the Group which includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

AASB 2013-3 – Amendments to AASB136 Impairment of Assets: the Group has early adopted this Standard, effective 1 January 2014, which amends the disclosure requirements. The amendments in AASB 136 include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. AASB 2013-3 removes this requirement.

### (ii) Accounting Standards and Interpretation 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 2014. These are outlined below:

- Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014 / applicable for Group 1 July 2014)

AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

This amendment will have no impact on the disclosure for the Group.

- AASB 9 Financial Instruments (effective 1 January 2018 / applicable for Group 1 July 2018)

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.

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.

- (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.
- (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.
- (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.
- (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  - The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
  - The remaining change is presented in profit or loss

AASB9 also removes the volatility in profit and loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognised in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.

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.

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

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

#### (ii) *Accounting Standards and Interpretation issued but not yet effective (continued)*

- Annual improvements 2010 – 2012 Cycle: (effective 1 July 2014 / applicable for Group 1 July 2014).

This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.

The following items are addressed by this standard:

- IFRS 2 – Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- IFRS 3 – Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37.
- IFRS 8 – Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.
- IAS 16 and IAS 38 – Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- IAS 24 – Defines a management entity providing Key Management Personal ("KMP") services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

The Group will review any amendment to the standards when adopted by the AASB.

- Annual improvements 2011 – 2013 Cycle: (effective 1 July 2014 / applicable for Group 1 July 2014).

This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.

- IFRS 13 – Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.

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

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

#### (ii) *Accounting Standards and Interpretation issued but not yet effective (continued)*

- IAS 40 – Clarifies that judgement is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes investment property. That judgement is based on guidance in IFRS 3.

The Group will review any amendment to the standards when adopted by the AASB.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets : (effective 1 January 2016 / applicable for Group 1 July 2016).

IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

This revision will have no impact on how the Group measures its depreciation.

- IFRS 15 Revenue from Contracts with Customers: (effective 1 January 2017 / applicable for Group 1 July 2017)

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes:

- (a) IAS 11 Construction Contracts
- (b) IAS 18 Revenue
- (c) IFRIC 13 Customer Loyalty Programmes
- (d) IFRIC 15 Agreements for the Construction of Real Estate
- (e) IFRIC 18 Transfers of Assets from Customers
- (f) SIC – 31 Revenue – Barter Transactions Involving Advertising Services

The Core principal of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principal by applying the following steps:

- (a) Step 1: Identify the contract(s) with a customer
- (b) Step 2: Identify the performance obligations in the contract
- (c) Step 3: Determine the transaction price
- (d) Step 4: Allocate the transaction price to the performance obligations in the contract
- (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group will review any contracts it has with customers and assess the disclosure requirements, if any, of these contracts.

AASB 1055, AASB 2013-4, AASB 2013-5, AASB 2013-7, AASB 1031, AASB 2013-9, IFRS 14 and Interpretation 21 will have no application to the Group.

## 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 in the year ended 30 June 2012 led to the consolidation of Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Miller Street Holding Trust. In the year ended 30 June 2013 the Group also consolidated Abacus Wodonga Land Fund. This is due to the combination of the Group's role as responsible entity and its exposure to variable 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 Wodonga Land Fund, Abacus Jigsaw Trust and Abacus Independent Retail Property Trust that are not held by the Group and are presented separately in the income statement and within equity in the consolidated 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 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.

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

### (e) Foreign currency translation (continued)

At reporting date the assets and liabilities of foreign operations 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 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 market value of investments are recognised as revenue or expense in determining the net profit for the period.

#### *Sale of inventory*

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.

## 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.

Collectability 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 2014 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 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.

## 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 holds investments in unlisted securities and 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 \$30.5 million (2013: \$28.2 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 the 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 Group's share of those assets and obligations.

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

### (n) Property, plant and equipment

#### *Hotel property, plant and equipment*

Property (including land and buildings), plant and equipment represent owner-occupied properties and are initially measured at cost including transaction costs and acquisition costs. Subsequent to initial recognition, properties are measured at fair value less accumulated depreciation and any impairment in value after the date of revaluation.

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

Buildings - 50 years

Plant and equipment - 3 to 20 years

#### *Revaluations of land and buildings*

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

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

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

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

Hotel property, plant and equipment are independently valued on an annual basis unless the underlying financing requires a more frequent independent valuation cycle.

#### *Other property, plant and equipment*

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

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

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

Buildings - 40 years

Plant and equipment - over 5 to 15 years

#### *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.

#### *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.

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

### (n) Property, plant and equipment (continued)

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.

Other property, plant and equipment are independently valued on a staggered basis every two years unless the underlying financing requires a more frequent independent valuation cycle.

### (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. Fair value is calculated based on estimated fair value on completion 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.

Land and buildings that meet the definition of investment property 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 and incentives are included in the carrying value of investment property and are amortised over the respective lease period, 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.

### (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.

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

### **(p) Leases (continued)**

#### *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.

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.

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

### **(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. Expenses 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.

### **(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.

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

### (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) 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 Note 2(o).

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

### (y) 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.

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

### (z) 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, ADIF II 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:

- 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.

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

### (z) Taxation (continued)

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

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

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

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

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

#### *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% (2013: 28%). NZ income tax paid by 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% (2013: 28%).

#### *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.

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

### (za) 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.

### (zb) Security based payment plans

Executives of the Group receive remuneration in the form of security based payments, whereby Executives render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made, using an appropriate valuation model and is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (Note 29).

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting conditions are satisfied, provided that all other performance and / or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the security based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met.

### 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 instruments 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.

#### (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.

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Liquidity risk (continued)

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 2014, the Group had undrawn committed facilities of \$319.5 million and cash of \$59.0 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 unfavourable 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 creditworthiness.

#### (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 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*

The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term bank debt obligations which are based on floating interest rates. The Group has a policy 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, AMSHT and AWLF).

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 2014, after taking into account the effect of interest rate swaps, approximately 83.6% of the Group's drawn debt is subject to fixed rate hedges (2013: 83.0%). Hedge cover as a percentage of available facilities at 30 June 2014 is 54.4% (2013: 59.5%).

##### *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 variable rate debt subject to interest rate swaps 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 judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, 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 judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

##### (a) Significant accounting judgements

###### *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 and loss. The fair value of unlisted securities has been determined by reference to the net assets of the entity and available redemption facilities.

###### *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. The Group 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 the Group's documented risk management and investment strategy, and information about the instruments is provided internally on that basis to the entity's key management personnel and the Board.

###### *Control and significant influence*

In determining whether the Group has control over an entity, the Group assesses 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 policy decisions of the entity but is not in control or joint control of those policies.

##### (b) 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.

###### *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.

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

##### **(c) Significant accounting estimates and assumptions (continued)**

###### *Fair value of derivatives*

The fair value of derivatives is determined using closing quoted market prices (where there is an active market) or a suitable pricing model based on discounted cash flow analysis using assumptions supported by observable market rates. Where the derivatives are not quoted in an active market their fair value has been determined using (where available) quoted market inputs and other data relevant to assessing the value of the financial instrument, including financial guarantees granted by the Group, estimates of the probability of exercise.

###### *Valuation of investment properties 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 and these assumptions include the number of lots sold per year and the average selling price per lot. 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*

The Group holds investments in unlisted securities and 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 \$28.4 million (2013: \$28.2 million).

## 5. SEGMENT INFORMATION

The Group predominately operates in Australia. Following are the Group's operating segments, which are regularly reviewed by the Chief Operating Decision Maker ("CODM") 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 obligation;
- (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 is also 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.

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

The Group has consolidated the Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust and Abacus Wodonga Land Fund. The performances of these entities which are operated as externally managed investment schemes are considered to be non-core segments and are reviewed separately to that of the performance of the Group's business segments.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014 CONTINUED  
**5. SEGMENT INFORMATION (CONTINUED)**

|                                                                                                        | CORE SEGMENTS                    |                 |                                |                   | NON CORE SEGMENTS                   |               |                   |                 | UNALLOCATED/<br>ELIMINATIONS<br>\$'000 | CONSOLIDATED<br>\$'000 |
|--------------------------------------------------------------------------------------------------------|----------------------------------|-----------------|--------------------------------|-------------------|-------------------------------------|---------------|-------------------|-----------------|----------------------------------------|------------------------|
|                                                                                                        | PROPERTY<br>MANAGEMENT<br>\$'000 | FUNDS<br>\$'000 | PROPERTY<br>VENTURES<br>\$'000 | STORAGE<br>\$'000 | TOTAL<br>CORE<br>SEGMENTS<br>\$'000 | AHF<br>\$'000 | ADIF II<br>\$'000 | AMSHT<br>\$'000 | AWLF<br>\$'000                         |                        |
| <b>YEAR ENDED 30 JUNE 2014</b>                                                                         |                                  |                 |                                |                   |                                     |               |                   |                 |                                        |                        |
| <b>Revenue</b>                                                                                         |                                  |                 |                                |                   |                                     |               |                   |                 |                                        |                        |
| Rental income                                                                                          | 81,727                           | -               | -                              | -                 | <b>81,727</b>                       | 958           | 18,237            | 6,394           | 20                                     | <b>107,336</b>         |
| Storage income                                                                                         | -                                | -               | -                              | 49,658            | <b>49,658</b>                       | -             | -                 | -               | -                                      | <b>49,658</b>          |
| Hotel income                                                                                           | 1,833                            | -               | -                              | -                 | <b>1,833</b>                        | 50,800        | -                 | -               | -                                      | <b>52,633</b>          |
| Finance income                                                                                         | 1,309                            | -               | 18,762                         | -                 | <b>20,071</b>                       | -             | -                 | -               | -                                      | <b>18,762</b>          |
| Funds management income                                                                                | -                                | 16,655          | -                              | -                 | <b>16,655</b>                       | -             | -                 | -               | -                                      | <b>2,607</b>           |
| Sale of inventory                                                                                      | 23,472                           | -               | 104,164                        | -                 | <b>127,636</b>                      | -             | -                 | -               | 10,948                                 | <b>138,584</b>         |
| Net change in fair value of investment properties derecognised                                         | 11,396                           | -               | -                              | -                 | <b>11,396</b>                       | -             | 3,003             | (2,064)         | -                                      | <b>12,335</b>          |
| Net change in fair value of investments and financial instruments derecognised                         | 4,085                            | -               | -                              | -                 | <b>4,085</b>                        | (1,271)       | -                 | -               | -                                      | <b>2,814</b>           |
| Net change in fair value of investment properties and property, plant & equipment held at balance date | 17,280                           | -               | -                              | 4,851             | <b>22,131</b>                       | 1,312         | 1,085             | -               | -                                      | <b>24,528</b>          |
| Net change in fair value of investments held at balance date                                           | 19                               | -               | 2,516                          | 12                | <b>2,547</b>                        | (479)         | 9,500             | -               | -                                      | <b>2,068</b>           |
| Share of profit from equity accounted investments <sup>^</sup>                                         | 10,840                           | 564             | 1,725                          | -                 | <b>13,129</b>                       | -             | -                 | -               | -                                      | <b>12,525</b>          |
| Other unallocated revenue                                                                              | -                                | -               | -                              | -                 | <b>590</b>                          | 205           | 19                | 16              | 14                                     | <b>844</b>             |
| <b>Total consolidated revenue</b>                                                                      | <b>151,961</b>                   | <b>17,219</b>   | <b>127,167</b>                 | <b>54,521</b>     | <b>351,458</b>                      | <b>51,525</b> | <b>31,844</b>     | <b>4,346</b>    | <b>10,982</b>                          | <b>424,694</b>         |
| Property expenses and outgoings                                                                        | (17,533)                         | -               | -                              | (16)              | <b>(17,549)</b>                     | (206)         | (2,362)           | (374)           | (468)                                  | <b>(20,158)</b>        |
| Storage expenses                                                                                       | -                                | -               | -                              | (18,208)          | <b>(18,208)</b>                     | -             | -                 | -               | -                                      | <b>(18,208)</b>        |
| Hotel expenses                                                                                         | (1,986)                          | -               | -                              | -                 | <b>(1,986)</b>                      | (39,112)      | -                 | -               | -                                      | <b>(41,098)</b>        |
| Depreciation, amortisation and impairment expense                                                      | (4,118)                          | -               | -                              | (284)             | <b>(4,402)</b>                      | (3,889)       | (545)             | (73)            | (3)                                    | <b>(8,912)</b>         |
| Cost of inventory sales                                                                                | (19,631)                         | -               | (94,081)                       | -                 | <b>(113,712)</b>                    | -             | -                 | -               | (10,540)                               | <b>(124,252)</b>       |
| Administrative and other expenses                                                                      | (8,583)                          | (1,907)         | (3,815)                        | (4,768)           | <b>(19,073)</b>                     | (1,613)       | (636)             | (350)           | (82)                                   | <b>(24,526)</b>        |
| <b>Segment result</b>                                                                                  | <b>100,110</b>                   | <b>15,312</b>   | <b>29,255</b>                  | <b>31,261</b>     | <b>176,528</b>                      | <b>6,705</b>  | <b>28,301</b>     | <b>3,549</b>    | <b>(111)</b>                           | <b>187,540</b>         |

<sup>^</sup> Includes fair value gain of \$2.6 million.

**5. SEGMENT INFORMATION (CONTINUED)**

|                                                                              | CORE SEGMENTS      |                      |                 |                                | NON CORE SEGMENTS |                                     |                |                   |                 |                |                                        |                        |
|------------------------------------------------------------------------------|--------------------|----------------------|-----------------|--------------------------------|-------------------|-------------------------------------|----------------|-------------------|-----------------|----------------|----------------------------------------|------------------------|
|                                                                              | PROPERTY<br>\$'000 | MANAGEMENT<br>\$'000 | FUNDS<br>\$'000 | PROPERTY<br>VENTURES<br>\$'000 | STORAGE<br>\$'000 | TOTAL<br>CORE<br>SEGMENTS<br>\$'000 | AHF<br>\$'000  | ADIF II<br>\$'000 | AMSHT<br>\$'000 | AWLF<br>\$'000 | UNALLOCATED/<br>ELIMINATIONS<br>\$'000 | CONSOLIDATED<br>\$'000 |
| <b>YEARENDED 30 JUNE 2014</b>                                                |                    |                      |                 |                                |                   |                                     |                |                   |                 |                |                                        |                        |
| Net change in fair value of derivatives                                      |                    |                      |                 |                                |                   | <b>(15,436)</b>                     | (1,009)        | 820               | 1,096           | (4)            | -                                      | <b>(14,533)</b>        |
| Finance costs                                                                |                    |                      |                 |                                |                   | <b>(34,828)</b>                     | (10,276)       | (10,685)          | (3,991)         | -              | 8,850                                  | <b>(50,930)</b>        |
| Profit / (loss) before tax                                                   |                    |                      |                 |                                |                   | <b>126,264</b>                      | (4,580)        | 18,436            | 654             | (115)          | (18,582)                               | <b>122,077</b>         |
| Income tax expense                                                           |                    |                      |                 |                                |                   | <b>(14,244)</b>                     | (209)          | (257)             | -               | -              | -                                      | <b>(14,710)</b>        |
| <b>Net profit / (loss) for the year</b>                                      |                    |                      |                 |                                |                   | <b>112,020</b>                      | <b>(4,789)</b> | <b>18,179</b>     | <b>654</b>      | <b>(115)</b>   | <b>(18,582)</b>                        | <b>107,367</b>         |
| less non-controlling interest                                                |                    |                      |                 |                                |                   | <b>(379)</b>                        | 1,743          | -                 | (458)           | -              | -                                      | <b>906</b>             |
| <b>Net profit / (loss) for the year attributable to members of the Group</b> |                    |                      |                 |                                |                   | <b>111,641</b>                      | <b>(3,046)</b> | <b>18,179</b>     | <b>196</b>      | <b>(115)</b>   | <b>(18,582)</b>                        | <b>108,273</b>         |

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014 CONTINUED  
**5. SEGMENT INFORMATION (CONTINUED)**

|                                                                                                        | CORE SEGMENTS       |               |               |               |                   | NON CORE SEGMENTS |                  |              |                     |                |
|--------------------------------------------------------------------------------------------------------|---------------------|---------------|---------------|---------------|-------------------|-------------------|------------------|--------------|---------------------|----------------|
|                                                                                                        | PROPERTY MANAGEMENT |               | FUNDS         |               | PROPERTY VENTURES |                   | STORAGE SEGMENTS |              | TOTAL CORE SEGMENTS |                |
|                                                                                                        | \$'000              | \$'000        | \$'000        | \$'000        | \$'000            | \$'000            | \$'000           | \$'000       | \$'000              |                |
| <b>YEAR ENDED 30 JUNE 2013</b>                                                                         |                     |               |               |               |                   |                   |                  |              |                     |                |
| <b>Revenue</b>                                                                                         |                     |               |               |               |                   |                   |                  |              |                     |                |
| Rental income                                                                                          | 70,813              | -             | -             | -             | -                 | -                 | -                | 70,813       | 310                 | 17,842         |
| Storage income                                                                                         | -                   | -             | -             | -             | -                 | -                 | 45,249           | 45,249       | -                   | -              |
| Hotel income                                                                                           | 1,650               | -             | -             | -             | -                 | -                 | -                | 1,650        | 53,534              | -              |
| Finance income                                                                                         | 1,323               | -             | -             | 20,357        | -                 | -                 | -                | 21,680       | -                   | -              |
| Funds management income                                                                                | -                   | 17,058        | -             | -             | -                 | -                 | -                | 17,058       | -                   | -              |
| Sale of inventory                                                                                      | 8,497               | -             | -             | 47,850        | -                 | -                 | -                | 56,347       | -                   | -              |
| Net change in fair value of investment properties derecognised                                         | 1,340               | -             | -             | -             | -                 | -                 | 1                | 1,341        | (206)               | 838            |
| Net change in fair value of investments and financial instruments derecognised                         | 5,133               | 1,603         | 68            | -             | -                 | -                 | 50               | 6,854        | -                   | -              |
| Net change in fair value of investment properties and property, plant & equipment held at balance date | 6,620               | -             | -             | -             | -                 | -                 | 864              | 7,484        | (1,220)             | (3,445)        |
| Net change in fair value of investments held at balance date                                           | 4                   | -             | -             | 3,810         | -                 | -                 | (62)             | 3,752        | 1,167               | 2,490          |
| Share of profit from equity accounted investments <sup>^</sup>                                         | 5,275               | 367           | 4,307         | -             | -                 | -                 | -                | 9,949        | -                   | -              |
| Other unallocated revenue                                                                              | -                   | -             | -             | -             | -                 | -                 | -                | 1,044        | 256                 | 34             |
| <b>Total consolidated revenue</b>                                                                      | <b>100,655</b>      | <b>19,028</b> | <b>76,392</b> | <b>46,102</b> | <b>243,221</b>    | <b>53,841</b>     | <b>17,759</b>    | <b>3,743</b> | <b>(12,647)</b>     | <b>305,917</b> |
| Property expenses and outgoings                                                                        | (16,167)            | -             | -             | -             | -                 | -                 | -                | (16,167)     | (206)               | (1,605)        |
| Storage expenses                                                                                       | -                   | -             | -             | -             | -                 | -                 | (15,981)         | (15,981)     | -                   | -              |
| Hotel expenses                                                                                         | (1,820)             | -             | -             | -             | -                 | -                 | -                | (1,820)      | (37,108)            | -              |
| Depreciation, amortisation and impairment expense                                                      | (2,161)             | -             | -             | -             | -                 | -                 | (260)            | (2,421)      | (4,059)             | (447)          |
| Cost of inventory sales                                                                                | (6,551)             | -             | -             | (41,625)      | -                 | -                 | -                | (48,176)     | -                   | -              |
| Administrative and other expenses                                                                      | (9,819)             | (2,414)       | (4,364)       | (5,454)       | (1,579)           | (360)             | (2,844)          | (27,368)     | (14,697)            | 150,659        |
| <b>Segment result</b>                                                                                  | <b>64,137</b>       | <b>16,614</b> | <b>30,403</b> | <b>24,407</b> | <b>136,605</b>    | <b>10,889</b>     | <b>15,173</b>    | <b>2,689</b> | <b>(14,697)</b>     | <b>150,659</b> |

<sup>^</sup> Includes fair value loss of \$4.1 million.

**5. SEGMENT INFORMATION (CONTINUED)**

|                                                                              | CORE SEGMENTS                    |                 |                                |                               | NON CORE SEGMENTS                   |                |                   |                 |                                        |                        |
|------------------------------------------------------------------------------|----------------------------------|-----------------|--------------------------------|-------------------------------|-------------------------------------|----------------|-------------------|-----------------|----------------------------------------|------------------------|
|                                                                              | PROPERTY<br>MANAGEMENT<br>\$'000 | FUNDS<br>\$'000 | PROPERTY<br>VENTURES<br>\$'000 | STORAGE<br>SEGMENTS<br>\$'000 | TOTAL<br>CORE<br>SEGMENTS<br>\$'000 | AHF<br>\$'000  | ADIF II<br>\$'000 | AMSHT<br>\$'000 | UNALLOCATED/<br>ELIMINATIONS<br>\$'000 | CONSOLIDATED<br>\$'000 |
| <b>YEAR ENDED 30 JUNE 2013</b>                                               |                                  |                 |                                |                               |                                     |                |                   |                 |                                        |                        |
| Loss on consolidation*                                                       |                                  |                 |                                |                               | <b>(18,943)</b>                     | -              | -                 | -               | -                                      | <b>(18,943)</b>        |
| Net change in fair value of derivatives                                      |                                  |                 |                                |                               | <b>(3,612)</b>                      | 9              | 1,704             | 746             | -                                      | <b>(1,153)</b>         |
| Finance costs                                                                |                                  |                 |                                |                               | <b>(38,318)</b>                     | (10,270)       | (11,899)          | (4,072)         | 8,315                                  | <b>(56,244)</b>        |
| Profit / (loss) before tax                                                   |                                  |                 |                                |                               | <b>75,732</b>                       | 628            | 4,978             | (637)           | (6,382)                                | <b>74,319</b>          |
| Income tax benefit / (expense)                                               |                                  |                 |                                |                               | <b>(5,786)</b>                      | (891)          | (162)             | -               | -                                      | <b>(6,839)</b>         |
| <b>Net profit / (loss) for the year</b>                                      |                                  |                 |                                |                               | <b>69,946</b>                       | <b>(263)</b>   | <b>4,816</b>      | <b>(637)</b>    | <b>(6,382)</b>                         | <b>67,480</b>          |
| less non-controlling interest                                                |                                  |                 |                                |                               | <b>(1,595)</b>                      | (5,278)        | -                 | 445             | -                                      | <b>(6,428)</b>         |
| <b>Net profit / (loss) for the year attributable to members of the Group</b> |                                  |                 |                                |                               | <b>68,351</b>                       | <b>(5,541)</b> | <b>4,816</b>      | <b>(192)</b>    | <b>(6,382)</b>                         | <b>61,052</b>          |

\* AWLFF was consolidated by the Group on 30 June 2013. Accordingly the Group has not recorded any income and expenses of the Fund for the year ended 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2014 CONTINUED  
**5. SEGMENT INFORMATION (CONTINUED)**

|                             |  | CORE SEGMENTS |            |          |         | NON CORE SEGMENTS |           |          |         |        |         |              |              |  |
|-----------------------------|--|---------------|------------|----------|---------|-------------------|-----------|----------|---------|--------|---------|--------------|--------------|--|
|                             |  | FUNDS         |            | PROPERTY |         |                   |           |          |         |        |         |              |              |  |
|                             |  | PROPERTY      | MANAGEMENT | VENTURES | STORAGE | UNALLOCATED       | TOTAL     | AHF      | ADIF II | AMSHT  | AWLF    | ELIMINATIONS | CONSOLIDATED |  |
|                             |  | \$'000        | \$'000     | \$'000   | \$'000  | \$'000            | \$'000    | \$'000   | \$'000  | \$'000 | \$'000  | \$'000       | \$'000       |  |
| AS AT 30 JUNE 2014          |  |               |            |          |         |                   |           |          |         |        |         |              |              |  |
| Current assets              |  | 165,633       | -          | 11,980   | -       | 74,322            | 251,935   | 9,424    | 30,992  | -      | 13,127  | (3,557)      | 301,921      |  |
| Non-current assets          |  |               |            |          |         |                   |           |          |         |        |         |              |              |  |
| Investment properties       |  | 645,541       | -          | -        | 411,760 | -                 | 1,057,301 | -        | 101,650 | -      | -       | -            | 1,158,951    |  |
| Inventory                   |  | -             | -          | 65,226   | -       | -                 | 65,226    | -        | -       | -      | 22,998  | (3,204)      | 85,020       |  |
| Property, plant & equipment |  | 610           | -          | -        | 3,455   | -                 | 4,065     | 150,307  | -       | -      | 11      | -            | 154,383      |  |
| Property loans              |  | -             | 130,802    | 184,415  | -       | -                 | 315,217   | -        | -       | -      | -       | (130,802)    | 184,415      |  |
| Other                       |  | 109,173       | 27,500     | 47,531   | 1       | 34,766            | 218,971   | 3,147    | 28      | -      | -       | (27,500)     | 194,646      |  |
| Total assets                |  | 920,957       | 158,302    | 309,152  | 415,216 | 109,088           | 1,912,715 | 162,878  | 132,670 | -      | 36,136  | (165,063)    | 2,079,336    |  |
| Current liabilities         |  | 7,683         | 1,982      | 4,354    | 4,867   | 23,860            | 42,746    | 7,101    | 2,625   | -      | 550     | -            | 53,022       |  |
| Non-current liabilities     |  | 522           | 46,091     | 232      | 290     | 546,593           | 593,728   | 181,130  | 115,535 | -      | 41,864  | (196,133)    | 736,124      |  |
| Total liabilities           |  | 8,205         | 48,073     | 4,586    | 5,157   | 570,453           | 636,474   | 188,231  | 118,160 | -      | 42,414  | (196,133)    | 789,146      |  |
| Net assets                  |  | 912,752       | 110,229    | 304,566  | 410,059 | (461,365)         | 1,276,241 | (25,353) | 14,510  | -      | (6,278) | 31,070       | 1,290,190    |  |

**5. SEGMENT INFORMATION (CONTINUED)**

|                             |  | CORE SEGMENTS      |                      |                 |                                |                   | NON CORE SEGMENTS     |                 |               |                   |                 |                 |                        |                        |
|-----------------------------|--|--------------------|----------------------|-----------------|--------------------------------|-------------------|-----------------------|-----------------|---------------|-------------------|-----------------|-----------------|------------------------|------------------------|
|                             |  | PROPERTY<br>\$'000 | MANAGEMENT<br>\$'000 | FUNDS<br>\$'000 | PROPERTY<br>VENTURES<br>\$'000 | STORAGE<br>\$'000 | UNALLOCATED<br>\$'000 | TOTAL<br>\$'000 | AHF<br>\$'000 | ADIF II<br>\$'000 | AMSHT<br>\$'000 | AWLF*<br>\$'000 | ELIMINATIONS<br>\$'000 | CONSOLIDATED<br>\$'000 |
| AS AT 30 JUNE 2013          |  |                    |                      |                 |                                |                   |                       |                 |               |                   |                 |                 |                        |                        |
| Current assets              |  | 110,671            | -                    | -               | 67,179                         | -                 | 46,428                | 224,278         | 15,758        | 6,689             | 62,214          | 10,978          | (745)                  | 319,172                |
| Non-current assets          |  |                    |                      |                 |                                |                   |                       |                 |               |                   |                 |                 |                        |                        |
| Investment properties       |  | 669,297            | -                    | -               | -                              | 371,558           | -                     | 1,040,855       | -             | 180,540           | -               | -               | -                      | 1,221,395              |
| Inventory                   |  | -                  | -                    | -               | 72,905                         | -                 | -                     | 72,905          | -             | -                 | -               | 21,072          | (2,035)                | 91,942                 |
| Property, plant & equipment |  | 4,690              | -                    | -               | -                              | 1,778             | -                     | 6,468           | 145,620       | -                 | -               | 12              | -                      | 152,100                |
| Property loans              |  | -                  | 98,892               | 138,370         | -                              | -                 | -                     | 237,262         | -             | -                 | -               | -               | (121,059)              | 116,203                |
| Other                       |  | 136,463            | 37,000               | 46,142          | -                              | -                 | 41,211                | 260,816         | 3,062         | 110               | -               | -               | (37,000)               | 226,988                |
| Total assets                |  | 921,121            | 135,892              | 324,596         | 373,336                        | 87,639            | 1,842,584             | 164,440         | 187,339       | 62,214            | 32,062          | (160,839)       |                        | 2,127,800              |
| Current liabilities         |  | 13,357             | 13,968               | 31,826          | 8,016                          | 40,682            | 107,849               | 67,790          | 35,388        | 35,682            | 173             | -               | -                      | 246,882                |
| Non-current liabilities     |  | 568                | 35,376               | 253             | 316                            | 603,773           | 640,286               | 117,798         | 150,758       | 20,348            | 48,053          | (224,145)       |                        | 753,098                |
| Total liabilities           |  | 13,925             | 49,344               | 32,079          | 8,332                          | 644,455           | 748,135               | 185,588         | 186,146       | 56,030            | 48,226          | (224,145)       |                        | 999,980                |
| Net assets                  |  | 907,196            | 86,548               | 292,517         | 365,004                        | (556,816)         | 1,094,449             | (21,148)        | 1,193         | 6,184             | (16,164)        | 63,306          |                        | 1,127,820              |

\* AWLF was consolidated by the Group on 30 June 2013.

The presentation of the core segments reflects the adjustments arising from the adoption of AASB10 and is consistent with the reporting to the CODM.

## 6. REVENUE

|                                                                         | 2014<br>\$'000 | 2013<br>\$'000 |
|-------------------------------------------------------------------------|----------------|----------------|
| <b>(a) Finance income</b>                                               |                |                |
| Interest and fee income on secured loans                                | 18,764         | 20,367         |
| Bank interest                                                           | 842            | 1,354          |
| <b>Total finance income</b>                                             | <b>19,606</b>  | <b>21,721</b>  |
| <b>(b) Funds management income</b>                                      |                |                |
| Asset / property management fees                                        | 2,607          | 3,977          |
| Interest on loans                                                       | -              | 3,532          |
| <b>Total funds management income</b>                                    | <b>2,607</b>   | <b>7,509</b>   |
| <b>(c) Net change in fair value of investments held at balance date</b> |                |                |
| Net change in fair value of property securities held at balance date    | (1)            | (73)           |
| Net change in fair value of options held at balance date                | 2,100          | 4,130          |
| Net change in fair value of other investments held at balance date      | (31)           | 1,352          |
| <b>Total change in fair value of investments held at balance date</b>   | <b>2,068</b>   | <b>5,409</b>   |

## 7. EXPENSES

|                                                                             | 2014<br>\$'000 | 2013<br>\$'000 |
|-----------------------------------------------------------------------------|----------------|----------------|
| <b>(a) Depreciation, amortisation and impairment expense</b>                |                |                |
| Depreciation and amortisation of property, plant and equipment and software | 4,442          | 4,559          |
| Net loss / (gain) on property, plant and equipment remeasured at fair value | 1,434          | (24)           |
| Amortisation - leasing costs                                                | 3,036          | 2,464          |
| <b>Total depreciation, amortisation and impairment expense</b>              | <b>8,912</b>   | <b>6,999</b>   |
| <b>(b) Cost of inventory sales</b>                                          |                |                |
| Acquisition and holdings costs                                              | 124,252        | 35,800         |
| Additional development costs*                                               | -              | 12,376         |
| <b>Total cost of inventory sales</b>                                        | <b>124,252</b> | <b>48,176</b>  |
| * co-owner contribution to the Lewisham residential development             |                |                |
| <b>(c) Finance costs</b>                                                    |                |                |
| Interest on loans                                                           | 47,747         | 51,631         |
| Amortisation of finance costs                                               | 3,183          | 4,613          |
| <b>Total finance costs</b>                                                  | <b>50,930</b>  | <b>56,244</b>  |
| <b>(d) Administrative and other expenses</b>                                |                |                |
| Wages and salaries                                                          | 12,040         | 13,976         |
| Contributions to defined contribution plans                                 | 845            | 776            |
| Other expenses                                                              | 11,641         | 12,616         |
| <b>Total administrative and other expenses</b>                              | <b>24,526</b>  | <b>27,368</b>  |

## 8. INCOME TAX

|                                                                | 2014<br>\$'000 | 2013<br>\$'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                                      | 9,194          | 5,861          |
| Adjustments in respect of current income tax of previous years | 2,100          | 2,076          |
| <i>Deferred income tax</i>                                     |                |                |
| Relating to origination and reversal of temporary differences  | 3,416          | (1,098)        |
| <b>Income tax expense reported in the income statement</b>     | <b>14,710</b>  | <b>6,839</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 the accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

|                                                                         |               |              |
|-------------------------------------------------------------------------|---------------|--------------|
| Profit before income tax expense                                        | 122,077       | 74,319       |
| Prima facie income tax expense calculated at 30% (AU)                   | 36,239        | 22,153       |
| Prima facie income tax expense calculated at 28% (NZ)                   | 258           | 143          |
| Less prima facie income tax expense on profit from Trusts               | (26,087)      | (18,124)     |
| Prima Facie income tax of entities subject to income tax                | 10,410        | 4,172        |
| Adjustment of prior year tax applied                                    | 2,100         | 2,076        |
| Derecognition of deferred tax assets                                    | -             | 1,000        |
| Entertainment                                                           | 21            | 19           |
| Foreign exchange translation adjustments                                | 2             | 34           |
| Franked dividends                                                       | -             | (175)        |
| Other items (net)                                                       | 2,177         | (287)        |
| <b>Income tax expense</b>                                               | <b>14,710</b> | <b>6,839</b> |
| <b>Income tax expense reported in the consolidated income statement</b> | <b>14,710</b> | <b>6,839</b> |

## 8. INCOME TAX (CONTINUED)

|                                                               | 2014<br>\$'000 | 2013<br>\$'000 |
|---------------------------------------------------------------|----------------|----------------|
| <b>(c) Recognised deferred tax assets and liabilities</b>     |                |                |
| Deferred income tax at 30 June 2014 relates to the following: |                |                |
| <b>Deferred tax liabilities</b>                               |                |                |
| Revaluation of investment properties at fair value            | 9,416          | 9,356          |
| Revaluation of financial instruments at fair value            | 1,722          | 1,092          |
| Capital allowances                                            | 2,040          | 634            |
| Reset of tax cost bases                                       | 598            | 1,048          |
| Other                                                         | 561            | 551            |
| <b>Gross deferred income tax liabilities</b>                  | <b>14,337</b>  | <b>12,681</b>  |
| Set off of deferred tax assets                                | (4,014)        | (2,369)        |
| <b>Net deferred income tax liabilities</b>                    | <b>10,323</b>  | <b>10,312</b>  |
| <b>Deferred tax assets</b>                                    |                |                |
| Revaluation of financial instruments at fair value            | 1,992          | 2,408          |
| Provisions - other                                            | 2,961          | 8,343          |
| Provisions - employee entitlements                            | 1,215          | 1,060          |
| Derecognition of deferred tax asset                           | (1,000)        | (1,000)        |
| Losses available for offset against future taxable income     | 3,247          | 2,958          |
| Other                                                         | 1,079          | 523            |
| <b>Gross deferred income tax assets</b>                       | <b>9,494</b>   | <b>14,292</b>  |
| Set off of deferred tax assets                                | (4,014)        | (2,369)        |
| <b>Net deferred income tax assets</b>                         | <b>5,480</b>   | <b>11,923</b>  |

### Unrecognised temporary differences

At 30 June 2014, the Group has unrecognised deferred tax assets on capital account in relation to the fair value of investments of \$1.1 million gross (2013: \$1.1 million) and fair value of investment properties of \$3.6 million gross (2013: \$3.6 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 agreements are 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.

## 9. DISTRIBUTIONS PAID AND PROPOSED

| <b>Abacus</b>                                                          | <b>2014<br/>\$'000</b> | <b>2013<br/>\$'000</b> |
|------------------------------------------------------------------------|------------------------|------------------------|
| <b>(a) Distributions paid during the year</b>                          |                        |                        |
| June 2013 half: 8.25 cents per stapled security (2012: 8.25 cents)     | 37,377                 | 35,886                 |
| December 2013 half: 8.25 cents per stapled security (2012: 8.25 cents) | 40,836                 | 36,702                 |
|                                                                        | <b>78,213</b>          | <b>72,588</b>          |

|                                                                                 |               |               |
|---------------------------------------------------------------------------------|---------------|---------------|
| <b>(b) Distributions proposed and not recognised as a liability<sup>^</sup></b> |               |               |
| June 2014 half: 8.50 cents per stapled security (2013: 8.25 cents)              | <b>43,671</b> | <b>37,376</b> |

| <b>Non-core funds</b>                         | <b>2014<br/>\$'000</b> | <b>2013<br/>\$'000</b> |
|-----------------------------------------------|------------------------|------------------------|
| <b>(a) Distributions paid during the year</b> |                        |                        |
| Abacus Hospitality Fund                       | 981                    | 1,908                  |
| Abacus Diversified Income Fund II             | 4,860                  | 4,589                  |
| Abacus Miller Street Holding Trust            | 642                    | 856                    |
|                                               | <b>6,483</b>           | <b>7,353</b>           |

|                                                                 |              |              |
|-----------------------------------------------------------------|--------------|--------------|
| <b>(b) Distributions proposed and recognised as a liability</b> |              |              |
| Abacus Hospitality Fund                                         | 245          | 248          |
| Abacus Diversified Income Fund II                               | 1,215        | 1,151        |
| Abacus Miller Street Holding Trust                              | -            | 214          |
|                                                                 | <b>1,460</b> | <b>1,613</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.

<sup>^</sup> The final distribution of 8.50 cents per stapled security was declared on 1 July 2014. The distribution paid on 15 August 2014 was \$43.7 million.

No provision for the distribution has been recognised in the balance sheet at 30 June 2014 as the distribution had not been declared by the end of the year.

| <b>Abacus*</b>                                                                                           | <b>2014<br/>\$'000</b> | <b>2013<br/>\$'000</b> |
|----------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>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% (2013: 30%)                    | 13,195                 | 12,089                 |
| Prior year adjustment for franking credits that have arisen from the receipt of dividends                | 249                    | -                      |
| Franking credits that will arise from the payment of income tax payable at the end of the financial year | 6,314                  | 1,106                  |
| Franking account balance at the end of the financial year 30% (2013: 30%)                                | <b>19,758</b>          | <b>13,195</b>          |

\* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust, Abacus Wodonga Land Fund.

## 10. EARNINGS PER STAPLED SECURITY

|                                                                                     | 2014<br>\$'000 | 2013<br>\$'000 |
|-------------------------------------------------------------------------------------|----------------|----------------|
| Basic and diluted earnings per stapled security (cents)                             | 22.27          | 13.68          |
| <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>108,273</b> | <b>61,052</b>  |
| <b>Weighted average number of stapled securities:</b>                               |                |                |
| Weighted average number of stapled securities for basic earning per security        | 486,109        | 446,427        |

## 11. CASH AND CASH EQUIVALENTS

|                                                                                                                   | 2014<br>\$'000 | 2013<br>\$'000 |
|-------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Reconciliation to Statement of Cash Flow</b>                                                                   |                |                |
| For the purposes of the Statement of Cash Flow, cash and cash equivalents comprise the following at 30 June 2014: |                |                |
| Cash at bank and in hand <sup>1</sup>                                                                             | 61,653         | 44,822         |

1. Cash at bank earns interest at floating rates. The carrying amounts of cash and cash equivalents represent fair value.

|                                                                               |                |                |
|-------------------------------------------------------------------------------|----------------|----------------|
| Net profit                                                                    | 107,367        | 67,480         |
| <b>Adjustments for:</b>                                                       |                |                |
| Depreciation and amortisation of non-current assets                           | 8,912          | 6,999          |
| Provision for doubtful debts                                                  | 120            | 1,060          |
| Loss on consolidation                                                         | -              | 18,943         |
| Net change in fair value of derivatives                                       | 14,533         | 1,153          |
| Net change in fair value of investment properties held at balance date        | (24,528)       | (497)          |
| Net change in fair value of investments held at balance date                  | (2,068)        | (5,409)        |
| Net change in fair value of investment properties derecognised                | (12,335)       | (1,973)        |
| Net change in fair value of investment and financial instruments derecognised | (2,814)        | (6,854)        |
| Increase / (decrease) in payables                                             | 6,448          | 17,768         |
| Increase / (decrease) in unearned revenue                                     | (24,618)       | 14,750         |
| Increase / (decrease) in inventories                                          | 60,497         | 2,554          |
| Increase / (decrease) in receivables and other assets                         | (10,927)       | 7,234          |
| <b>Net cash from operating activities</b>                                     | <b>120,587</b> | <b>123,208</b> |

### (a) Disclosure of financing facilities

Refer to Note 20.

### (b) Disclosure of non-cash financing facilities

Non-cash financing activities include capital raised pursuant to the Abacus distribution reinvestment plan. During the year 18.0 million stapled securities were issued with a cash equivalent of \$40.2 million.

## 12. TRADE AND OTHER RECEIVABLES

|                                   | 2014<br>\$'000 | 2013<br>\$'000 |
|-----------------------------------|----------------|----------------|
| <b>(a) Current</b>                |                |                |
| Trade debtors                     | 1,201          | 645            |
| Project debtors                   | 12,181         | 403            |
| Other debtors                     | 9,901          | 20,510         |
| Gross receivables                 | 23,283         | 21,558         |
| Less provision for doubtful debts | (2,118)        | (1,998)        |
| <b>Net current receivables</b>    | <b>21,165</b>  | <b>19,560</b>  |
| <b>(b) Non-current</b>            |                |                |
| Other debtors                     | 7,085          | 6,897          |
| <b>Non-current receivables</b>    | <b>7,085</b>   | <b>6,897</b>   |

## 13. PROPERTY LOANS AND OTHER FINANCIAL ASSETS

|                                                       | 2014<br>\$'000 | 2013<br>\$'000 |
|-------------------------------------------------------|----------------|----------------|
| <b>(a) Current property loans</b>                     |                |                |
| Secured loans - amortised cost <sup>1</sup>           | 4,703          | 2,047          |
| Interest receivable on secured loans - amortised cost | 236            | 405            |
|                                                       | <b>4,939</b>   | <b>2,452</b>   |
| <b>(b) Non-current property loans</b>                 |                |                |
| Secured loans - amortised cost <sup>1</sup>           | 152,334        | 116,404        |
| Interest receivable on secured loans - amortised cost | 32,081         | 21,966         |
|                                                       | <b>184,415</b> | <b>138,370</b> |
| <b>(c) Non-current other financial assets</b>         |                |                |
| Investments in securities - unlisted - fair value     | 4,733          | 4,642          |
| Other financial assets - fair value <sup>2</sup>      | 25,740         | 23,640         |
|                                                       | <b>30,473</b>  | <b>28,282</b>  |

1. 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 2015 and the non-current facilities will mature between 1 July 2015 and 14 March 2017.

2. 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 \$25.7 million (2013: \$23.6 million).

#### 14. PROPERTY, PLANT AND EQUIPMENT

The following table is a reconciliation of the movements of property, plant and equipment classified as Level 3 in accordance with the fair value hierarchy outlined in Note 22 for the year ended 30 June 2014.

|                                                    | 2014<br>\$'000 | 2013<br>\$'000 |
|----------------------------------------------------|----------------|----------------|
| <b>Land and buildings</b>                          |                |                |
| At 1 July, net of accumulated depreciation         | 137,649        | 138,412        |
| Additions                                          | 3,084          | 5,976          |
| Fair value movement through the income statement   | (123)          | (1,196)        |
| Fair value movement through comprehensive income   | (64)           | (6,064)        |
| Effect of movements in foreign exchange            | 2,861          | 2,068          |
| Depreciation charge for the year                   | (1,148)        | (1,547)        |
| <b>At 30 June, net of accumulated depreciation</b> | <b>142,259</b> | <b>137,649</b> |
| Gross value                                        | 157,194        | 151,436        |
| Accumulated depreciation                           | (14,935)       | (13,787)       |
| <b>Net carrying amount at end of year</b>          | <b>142,259</b> | <b>137,649</b> |
| <b>Plant and equipment</b>                         |                |                |
| At 1 July, net of accumulated depreciation         | 14,451         | 15,653         |
| Additions                                          | 3,591          | 1,792          |
| Disposals                                          | -              | (39)           |
| Effect of movements in foreign exchange            | 5              | 35             |
| Depreciation charge for the year                   | (3,223)        | (2,990)        |
| <b>At 30 June, net of accumulated depreciation</b> | <b>14,824</b>  | <b>14,451</b>  |
| Gross value                                        | 42,853         | 38,769         |
| Accumulated depreciation                           | (28,029)       | (24,318)       |
| <b>Net carrying amount at end of year</b>          | <b>14,824</b>  | <b>14,451</b>  |
| <b>Total</b>                                       | <b>157,083</b> | <b>152,100</b> |
| <b>Property, plant and equipment</b>               |                |                |
| <b>Current</b>                                     |                |                |
| Hotel properties <sup>1</sup>                      | 2,700          | -              |
| <b>Total current property, plant and equipment</b> | <b>2,700</b>   | <b>-</b>       |
| <b>Non-current</b>                                 |                |                |
| Hotel properties                                   | 150,307        | 149,820        |
| Storage properties                                 | 3,455          | 1,778          |
| Office equipment / furniture and fittings          | 621            | 502            |
| <b>Total current property, plant and equipment</b> | <b>154,383</b> | <b>152,100</b> |
| <b>Total property, plant and equipment</b>         | <b>157,083</b> | <b>152,100</b> |

1. Includes a pub property but excludes the value of licence that is accounted for separately as an intangible.

The property, plant and equipment are carried at the directors' determination of fair value. 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.

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

The independent and directors' valuations are based on common valuation methodologies and in determining fair value, the capitalisation of net income method and the discounting of future cash flows to their present values have been used which are based upon assumptions and judgment in relation to future rental income, property capitalisation rate or estimated yield. The directors' valuations at 30 June 2014 make reference to market evidence of transaction prices for similar properties and include the key assumptions outlined below on a portfolio basis. Significant movement in each of these assumptions in isolation would result in a higher / (lower) fair value of the property, plant and equipment.

##### Hotel Properties

- A weighted average capitalisation rate is 9.57% (2013: 9.39%)
- The current weighted average occupancy rate is 72% (2013: 72%)

##### Storage Properties

- A weighted average capitalisation rate is 8.84% (2013: 9.20%)
- The current weighted average occupancy rate is 84.9% (2013: 81.8%)

External valuations are conducted by qualified independent valuers who are appointed by the Managing Director of Abacus Property Services Pty Ltd who is also responsible for the Group's internal valuation process. The Managing Director is assisted by two employees both of whom hold relevant recognised professional qualifications and are experienced in valuing the types of properties in the applicable locations.

#### 15. INVENTORY

|                              | 2014<br>\$'000 | 2013<br>\$'000 |
|------------------------------|----------------|----------------|
| <b>(a) Current</b>           |                |                |
| Hotel supplies               | 565            | 501            |
| Projects <sup>1</sup>        |                |                |
| - purchase consideration     | 2,237          | 10,833         |
| - development costs          | 9,335          | 53,148         |
| - finance costs <sup>2</sup> | 2,045          | 7,354          |
| - other costs <sup>3</sup>   | -              | 1,156          |
|                              | <b>14,182</b>  | <b>72,992</b>  |
| <b>(b) Non-current</b>       |                |                |
| Projects <sup>1</sup>        |                |                |
| - purchase consideration     | 48,900         | 57,245         |
| - development costs          | 27,512         | 26,749         |
| - finance costs <sup>2</sup> | 8,580          | 6,792          |
| - other costs <sup>3</sup>   | 1,528          | 2,656          |
| - diminution                 | (1,500)        | (1,500)        |
|                              | <b>85,020</b>  | <b>91,942</b>  |
| <b>Total inventory</b>       | <b>99,202</b>  | <b>164,934</b> |

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

2. Finance costs were capitalised at interest rates within the range of 5.0% to 10.5% during the financial year (2013: 8.1% to 10.5%).

3. Other costs are described in Note 2(z).

## 16. INVESTMENT PROPERTIES

|                                                            | 2014<br>\$'000   | 2013<br>\$'000   |
|------------------------------------------------------------|------------------|------------------|
| <b>Investment properties held for sale</b>                 |                  |                  |
| Retail                                                     | 157,856          | 69,710           |
| Office                                                     | 10,484           | 93,000           |
| Industrial                                                 | 18,203           | 13,000           |
| <b>Total investment properties held for sale</b>           | <b>186,543</b>   | <b>175,710</b>   |
| <b>Investment properties</b>                               |                  |                  |
| Retail                                                     | 243,751          | 266,249          |
| Office                                                     | 355,950          | 362,279          |
| Industrial                                                 | 123,890          | 198,083          |
| Storage                                                    | 411,760          | 371,558          |
| Other                                                      | 23,600           | 23,226           |
| <b>Total investment properties</b>                         | <b>1,158,951</b> | <b>1,221,395</b> |
| <b>Total investment properties including held for sale</b> | <b>1,345,494</b> | <b>1,397,105</b> |

The current investment properties represent 10 properties which are either subject to a sales contract or an active sales campaign and are expected to be sold by 30 June 2015.

### Reconciliation

A reconciliation of the carrying amount of investment properties at the beginning and end of the year is as follows. All investment properties are classified as Level 3 in accordance with the fair value hierarchy outlined in Note 22:

|                                                            | HELD FOR SALE  |                | NON-CURRENT      |                  |
|------------------------------------------------------------|----------------|----------------|------------------|------------------|
|                                                            | 2014<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000   | 2013<br>\$'000   |
| Carrying amount at beginning of the financial year         | 175,710        | 190,821        | 1,221,395        | 1,181,203        |
| Additions and capital expenditure                          | 983            | 711            | 131,761          | 121,017          |
| Fair value adjustments for properties held at balance date | (682)          | (2,853)        | 23,420           | 3,914            |
| Disposals                                                  | (131,410)      | (87,419)       | (88,936)         | (15,404)         |
| Effect of movements in foreign exchange                    | -              | -              | 7,943            | 5,115            |
| Properties transferred (to) / from held for sale           | 141,942        | 74,450         | (141,942)        | (74,450)         |
| Transfers                                                  | -              | -              | 5,310            | -                |
| <b>Carrying amount at end of the financial year</b>        | <b>186,543</b> | <b>175,710</b> | <b>1,158,951</b> | <b>1,221,395</b> |

Investment properties are carried at the Directors' determination of fair value. 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 and, in determining fair value, the capitalisation of net income method and the discounting of future cash flows to their present values have been used which are based upon assumptions and judgment in relation to future rental income, property capitalisation rate or estimated yield. The directors' valuations at 30 June 2014 make reference to market evidence of transaction prices for similar properties and include the key assumptions outlined below on a portfolio basis. Significant increase / (decrease) in each of these assumptions in isolation would result in a higher / (lower) fair value of the investment property.

## 16. INVESTMENT PROPERTIES (CONTINUED)

### Abacus\*

The weighted average capitalisation rate for Abacus is 8.36% (2013: 8.67%) and for each category is as follows:

- Retail - 7.83% (2013: 7.89%)
- Office - 8.35% (2013: 8.51%)
- Industrial - 10.00% (2013: 9.81%)
- Storage - 8.84% (2013: 9.20%)
- Other - 7.01% (2013: 7.49%)

The current occupancy rate for the principal portfolio excluding development and self-storage assets is 94.6% (2013: 92.8%). The current occupancy rate for self-storage assets is 84.9% (2013: 81.8%).

A weighted average rent review for the 12 months to 30 June 2014 of 3.6% (2013: 4.0%).

During the year ended 30 June 2014, 39% (2013: 56%) of the number of investment properties in the portfolio was subject to external valuations, the remaining 61% (2013: 44%) was subject to internal valuation.

\* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust, Abacus Wodonga Land Fund.

### Abacus Diversified Income Fund II

A weighted average capitalisation rate for each category is as follows:

- Office - 9.95% (2013: 10.41%)
- Industrial - 9.00% (2013: 8.85%)

The current occupancy rate for the portfolio is 82% (2013: 95%).

The weighted average lease expiry term is 2.76 years (2013: 3.48 years).

During the year ended 30 June 2014, 100% of the number of investment properties in the portfolio was subject to external valuations.

External valuations are conducted by qualified independent valuers who are appointed by the Managing Director of Abacus Property Services Pty Ltd who is also responsible for the Group's internal valuation process. The Managing Director is assisted by two employees both of whom hold relevant recognised professional qualifications and are experienced in valuing the types of properties in the applicable locations.

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

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

## 17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

|                              | 2014<br>\$'000 | 2013<br>\$'000 |
|------------------------------|----------------|----------------|
| Investment in joint ventures | 125,432        | 124,458        |
|                              | 125,432        | 124,458        |

### (a) Details of joint ventures

|                                              | PRINCIPAL ACTIVITY   | OWNERSHIP INTEREST |           | CARRYING VALUE |                |
|----------------------------------------------|----------------------|--------------------|-----------|----------------|----------------|
|                                              |                      | 2014<br>%          | 2013<br>% | 2014<br>\$'000 | 2013<br>\$'000 |
| 111 Quay St Unit Trust                       | Property development | 50                 | -         | 1              | -              |
| 309 George St JV Trust                       | Property investment  | 25                 | 25        | 11,788         | 10,245         |
| Abacus Aspley Village Trust <sup>1</sup>     | Property investment  | -                  | 33        | -              | 7,476          |
| Abacus Crafted 1 Unit Trust                  | Property investment  | 50                 | -         | 332            | -              |
| Abacus Rosebery Property Trust               | Property development | 50                 | 50        | -              | 1,697          |
| Abwill 350 George St Trust                   | Property development | 50                 | 50        | 4,263          | 6,371          |
| Australian Aggregation Head Trust            | Property investment  | 25                 | 25        | 29,776         | 27,925         |
| Birkenhead Point Marina Pty Ltd <sup>2</sup> | Marina operator      | 50                 | 50        | 101            | 80             |
| Fordtrans Pty Ltd (Virginia Park)            | Property investment  | 50                 | 50        | 62,445         | 61,399         |
| Hampton Residential Retirement Trust         | Property investment  | 50                 | 50        | 6,279          | 4,255          |
| Jack Road Investments Unit Trust             | Property development | 50                 | 50        | 4,313          | 4,350          |
| Pakenham Valley Unit Trust                   | Land subdivision     | 50                 | 50        | 21             | 21             |
| Queensberry Street Carlton Unit Trust        | Property development | 50                 | 50        | 5,437          | -              |
| The Mount Druitt Unit Trust                  | Property investment  | 50                 | 50        | 676            | 639            |
|                                              |                      |                    |           | 125,432        | 124,458        |

1. The remaining interest in the joint venture was acquired by Abacus during the year end. The property is now classified as an investment property.

2. Operates the marina adjacent to the Birkenhead Point Shopping Centre in Drummoyne NSW.

There were no impairment losses or contingent liabilities relating to the investment in the associates and joint ventures.

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

|                            | 2014<br>\$'000 | 2013<br>\$'000 |
|----------------------------|----------------|----------------|
| Revenue                    | 74,805         | 154,408        |
| Expenses                   | (39,544)       | (127,862)      |
| <b>Net profit</b>          | <b>35,261</b>  | <b>26,546</b>  |
| <b>Share of net profit</b> | <b>12,525</b>  | <b>10,164</b>  |

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

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

|                            | 2014<br>\$'000 | 2013<br>\$'000 |
|----------------------------|----------------|----------------|
| Current assets             | 24,842         | 41,413         |
| Non-current assets         | 596,082        | 572,535        |
|                            | 620,924        | 613,948        |
| Current liabilities        | (13,516)       | (18,098)       |
| Non-current liabilities    | (258,441)      | (239,813)      |
|                            | (271,957)      | (257,911)      |
| <b>Net assets</b>          | <b>348,967</b> | <b>356,037</b> |
| <b>Share of net assets</b> | <b>125,432</b> | <b>124,458</b> |

### (d) Material investments in joint ventures

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

Abacus 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 Abacus that offers expansion potential and residential opportunity. Abacus 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.

Abacus' share of income (including distributions) for the year ended 30 June 2014 was \$3.77 million (2013: \$4.79 million).

Summarised financial information in respect of VP is as follows:

|                                      | 2014<br>\$'000 | 2013<br>\$'000 |
|--------------------------------------|----------------|----------------|
| Cash & cash equivalents              | 373            | 843            |
| Other current assets                 | 13,903         | 15,745         |
| <b>Total current assets</b>          | <b>14,276</b>  | <b>16,588</b>  |
| <b>Total non-current assets</b>      | <b>177,078</b> | <b>176,783</b> |
| <b>Total assets</b>                  | <b>191,354</b> | <b>193,371</b> |
| Other current liabilities            | 1,538          | 6,188          |
| <b>Total current liabilities</b>     | <b>1,538</b>   | <b>6,188</b>   |
| Non-current financial liabilities    | 65,274         | 64,732         |
| <b>Total non-current liabilities</b> | <b>65,274</b>  | <b>64,732</b>  |
| <b>Total liabilities</b>             | <b>66,812</b>  | <b>70,920</b>  |
| <b>Net assets</b>                    | <b>124,542</b> | <b>122,451</b> |
| <b>Share of net assets</b>           | <b>62,445</b>  | <b>61,399</b>  |

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

### (d) Material investments in joint ventures (continued)

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

|                                   | 2014<br>\$'000 | 2013<br>\$'000 |
|-----------------------------------|----------------|----------------|
| Revenue                           | 16,992         | 16,578         |
| Interest income                   | 3,427          | 3,416          |
| Interest expense                  | (4,436)        | (4,558)        |
| <b>Profit before tax</b>          | <b>8,416</b>   | <b>8,929</b>   |
| Income tax expense                | -              | -              |
| <b>Total comprehensive income</b> | <b>8,416</b>   | <b>8,929</b>   |
| <b>Share of net profit</b>        | <b>3,768</b>   | <b>4,787</b>   |

*Australian Aggregation Head Trust ("AAHT")*

Abacus has a 25% interest in the ownership and voting rights of Australian Aggregation Head Trust.

AAHT invests in core-plus office, retail and industrial properties in major Australian gateway cities. Abacus' share of income (including distributions) for the year ended 30 June 2014 was \$4.34 million (2013: \$3.47 million).

Summarised financial information in respect of AAHT is as follows:

|                                      | 2014<br>\$'000 | 2013<br>\$'000 |
|--------------------------------------|----------------|----------------|
| Cash & cash equivalents              | 3,501          | 4,633          |
| Other current assets                 | 1,389          | 1,319          |
| <b>Total current assets</b>          | <b>4,890</b>   | <b>5,952</b>   |
| <b>Total non-current assets</b>      | <b>233,750</b> | <b>223,850</b> |
| <b>Total assets</b>                  | <b>238,640</b> | <b>229,802</b> |
| Other current liabilities            | 5,519          | 3,712          |
| <b>Total current liabilities</b>     | <b>5,519</b>   | <b>3,712</b>   |
| Non-current financial liabilities    | 113,167        | 113,542        |
| <b>Total non-current liabilities</b> | <b>113,167</b> | <b>113,542</b> |
| <b>Total liabilities</b>             | <b>118,686</b> | <b>117,254</b> |
| <b>Net assets</b>                    | <b>119,954</b> | <b>112,548</b> |
| <b>Share of net assets</b>           | <b>29,776</b>  | <b>27,925</b>  |
| Revenue                              | 26,449         | 22,849         |
| Interest income                      | 61             | 122            |
| Interest expense                     | (6,470)        | (6,128)        |
| <b>Profit before tax</b>             | <b>16,905</b>  | <b>13,941</b>  |
| Income tax expense                   | -              | -              |
| <b>Total comprehensive income</b>    | <b>16,905</b>  | <b>13,941</b>  |
| <b>Share of net profit</b>           | <b>4,339</b>   | <b>3,469</b>   |

## 18. INTANGIBLE ASSETS AND GOODWILL

|                                                    | 2014<br>\$'000 | 2013<br>\$'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         | 800            | 1,000          |
| Disposal                                           | -              | (200)          |
| <b>At 30 June, net of accumulated amortisation</b> | <b>800</b>     | <b>800</b>     |
| <b>Total goodwill and intangibles</b>              | <b>33,261</b>  | <b>33,261</b>  |

### Description of the Group's intangible assets

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.

### 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: the recoverable amount of the unit has been determined based on a value in use calculation using cash flow projections as at 30 June 2014 covering a five-year period.

A pre-tax discount rate of 10.80% (2013: 9.49%) and a terminal growth rate of 3% (2013: 3%) have been applied to the cash flow projections.

- Property – or specifically the hotel assets: the recoverable amount of the indefinite life intangible assets has 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 referenced to recent market sales evidence. Accordingly, the directors' valuations at 30 June 2014 have regards to market sales evidence in adopting a market valuation for each property including the key assumptions outlined.

## 18. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

### Impairment tests for goodwill and intangibles with indefinite useful lives (continued)

(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          |                |
|----------------------------------------------|------------------|----------------|----------------|----------------|----------------|----------------|
|                                              | 2014<br>\$'000   | 2013<br>\$'000 | 2014<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000 | 2013<br>\$'000 |
| Goodwill                                     | 32,394           | 32,394         | 67             | 67             | 32,461         | 32,461         |
| Management rights, licences and entitlements | -                | -              | 800            | 800            | 800            | 800            |

### (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: based on actual income in the year preceding the start of the budget period and actual funds under management.
- Discount rates: reflects 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 of the funds/properties under management: based on the fair value of properties.

Hotel Intangible Assets - the calculation of the hotel valuations is most sensitive to the following assumptions:

- Hotel income: 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 with reference to market sales evidence: 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 2014 was 14.0% (2013: 11.5%).
- Other value adding or potential attributes of the hotel assets - 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 2014 has significant head room thus reasonable changes in the assumptions such as a 0.5% change in the discount rate or a 5% fall in revenue assumptions would not cause any impairment.

Licences have been impaired so 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

|                        | 2014<br>\$'000 | 2013<br>\$'000 |
|------------------------|----------------|----------------|
| Trade creditors        | 790            | 503            |
| Other creditors        | 8,291          | 24,325         |
| Unearned revenue       | 2,923          | 25,889         |
| Rental guarantee       | -              | 2,785          |
| Goods and services tax | 2,783          | 1,146          |
| Accrued expenses       | 6,740          | 8,665          |
|                        | <b>21,527</b>  | <b>63,313</b>  |

## 20. INTEREST BEARING LOANS AND BORROWINGS

|                   | 2014<br>\$'000 | 2013<br>\$'000 |
|-------------------|----------------|----------------|
| <b>Abacus*</b>    |                |                |
| <b>Current</b>    |                |                |
| Bank loans - A\$  | -              | 8,600          |
| Other loans - A\$ | 16,667         | 31,367         |
|                   | <b>16,667</b>  | <b>39,967</b>  |

### Abacus Hospitality Fund

|                                                 |          |               |
|-------------------------------------------------|----------|---------------|
| <b>Current</b>                                  |          |               |
| Bank loans - A\$                                | -        | 36,740        |
| Bank loans - A\$ value of NZ\$ denominated loan | -        | 21,538        |
|                                                 | <b>-</b> | <b>58,278</b> |

### Abacus Diversified Income Fund II

|                                   |          |               |
|-----------------------------------|----------|---------------|
| <b>Current</b>                    |          |               |
| Bank loans - A\$                  | -        | 32,189        |
| Less: Unamortised borrowing costs | -        | (106)         |
|                                   | <b>-</b> | <b>32,083</b> |

### Abacus Miller Street Holding Trust

|                                   |          |               |
|-----------------------------------|----------|---------------|
| <b>Current</b>                    |          |               |
| Bank loans - A\$                  | -        | 34,000        |
| Less: Unamortised borrowing costs | -        | (10)          |
|                                   | <b>-</b> | <b>33,990</b> |

|                          |               |                |
|--------------------------|---------------|----------------|
| <b>(a) Total current</b> | <b>16,667</b> | <b>164,318</b> |
|--------------------------|---------------|----------------|

\* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust, Abacus Wodonga Land Fund.

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

|                                                                                                                                      | 2014<br>\$'000 | 2013<br>\$'000 |
|--------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Abacus*</b>                                                                                                                       |                |                |
| <b>Non-current</b>                                                                                                                   |                |                |
| Bank loans - A\$                                                                                                                     | 439,297        | 500,548        |
| Bank loans - A\$ value of NZ\$ denominated loan                                                                                      | 61,086         | 55,374         |
| Other loans - A\$                                                                                                                    | 4,292          | -              |
| Less: Unamortised borrowing costs                                                                                                    | (3,235)        | (2,719)        |
|                                                                                                                                      | <b>501,440</b> | <b>553,203</b> |
| <b>Abacus Hospitality Fund</b>                                                                                                       |                |                |
| <b>Non-current</b>                                                                                                                   |                |                |
| Bank loans - A\$                                                                                                                     | 42,500         | -              |
| Bank loans - A\$ value of NZ\$ denominated loan                                                                                      | 23,759         | -              |
| Loans from other parties                                                                                                             | 25,552         | 27,350         |
| Less: Unamortised borrowing costs                                                                                                    | (374)          | (235)          |
|                                                                                                                                      | <b>91,437</b>  | <b>27,115</b>  |
| <b>Abacus Diversified Income Fund II</b>                                                                                             |                |                |
| <b>Non-current</b>                                                                                                                   |                |                |
| Bank loans - A\$                                                                                                                     | 27,760         | 52,349         |
| Less: Unamortised borrowing costs                                                                                                    | (390)          | (34)           |
|                                                                                                                                      | <b>27,370</b>  | <b>52,315</b>  |
| <b>Abacus Wodonga Land Fund</b>                                                                                                      |                |                |
| <b>Non-current</b>                                                                                                                   |                |                |
| Bank loans - A\$                                                                                                                     | -              | 6,657          |
|                                                                                                                                      | <b>-</b>       | <b>6,657</b>   |
| <b>(b) Total non-current</b>                                                                                                         | <b>620,247</b> | <b>639,290</b> |
| * Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust, Abacus Wodonga Land Fund. |                |                |
|                                                                                                                                      | 2014<br>\$'000 | 2013<br>\$'000 |
| <b>(c) Maturity profile of current and non-current interest bearing loans</b>                                                        |                |                |
| Due within one year                                                                                                                  | 16,667         | 164,434        |
| Due between one and five years                                                                                                       | 494,246        | 642,278        |
| Due after five years                                                                                                                 | 130,000        | -              |
|                                                                                                                                      | <b>640,913</b> | <b>806,712</b> |

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

### Abacus\*

Abacus 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 and \$NZ denominated and are provided by several banks at interest rates which are set periodically on a floating basis. The loans term to maturity varies from July 2015 to July 2020. The bank loans are secured by charges over the investment properties, certain inventory and certain property, plant and equipment.

Approximately 76% (2013: 83%) of bank debt drawn was subject to fixed rate hedges with a weighted average term to maturity of 4.6 years (2013: 2.1 years). Hedge cover as a percentage of available facilities at 30 June 2014 is 50.4% (2013: 59.5%).

Abacus' weighted average interest rate as at 30 June 2014 was 5.41% (2013: 6.05%). Line fees on undrawn facilities contributed to 0.34% of the weighted average interest rate at 30 June 2014 (2013: 0.47%). Abacus' weighted average interest rate excluding the undrawn facilities line fees as at 30 June 2014 was 5.07% (2013: 5.58%).

\* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust, Abacus Wodonga Land Fund.

### Abacus Hospitality Fund

AHF's \$A and \$NZ bank facility matures in April 2017. The facility is secured by a charge over AHF's hotel assets and at 30 June 2014 approximately 64.8% (2013: 73.7%) of drawn bank debt facilities were subject to current fixed rate hedges with a weighted average term to maturity of 2.8 years (2013: 1.0 year).

AHF's weighted average interest rate as at 30 June 2014 was 7.7% (2013: 8.0%).

### Abacus Diversified Income Fund II

ADIF II has financed its investment property portfolio via two \$A facilities provided by two major Australian banks which mature in September 2016 and June 2017 respectively.

The facilities are secured by charges over ADIF II's investment properties and at 30 June 2014 approximately 100.0% (2013: 92.9%) of drawn bank debt facilities were subject to fixed rate hedges. The bank debt drawn at 30 June 2014 has a weighted average term to maturity of 2.6 years (2013: 0.9 years).

ADIF II's weighted average interest rate as at 30 June 2014 was 8.05% (2013: 8.86%).

### Abacus Wodonga Land Fund

AWLF 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.

The bank loan is provided by an Australian bank at interest rates that include both fixed and floating arrangements. The loan is denominated in Australian dollars and the term to maturity date is 30 April 2015. The interest rate on the borrowings is 10.50% per annum (2013: 10.50%).

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

### (d) Financial facilities available

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

|                                                         | 2014<br>\$'000 | 2013<br>\$'000 |
|---------------------------------------------------------|----------------|----------------|
| <b>Abacus*</b>                                          |                |                |
| Total facilities – bank loans                           | 755,000        | 786,500        |
| Facilities used at reporting date – bank loans          | (500,383)      | (564,522)      |
| <b>Facilities unused at reporting date – bank loans</b> | <b>254,617</b> | <b>221,978</b> |
| <b>Abacus Hospitality Fund</b>                          |                |                |
| Total facilities – bank loans                           | 70,000         | 80,724         |
| Facilities used at reporting date – bank loans          | (66,259)       | (58,278)       |
| <b>Facilities unused at reporting date – bank loans</b> | <b>3,741</b>   | <b>22,446</b>  |
| <b>Abacus Diversified Income Fund II</b>                |                |                |
| Total facilities – bank loans                           | 76,911         | 96,500         |
| Facilities used at reporting date – bank loans          | (27,760)       | (84,538)       |
| <b>Facilities unused at reporting date – bank loans</b> | <b>49,151</b>  | <b>11,962</b>  |
| <b>Abacus Wodonga Land Fund</b>                         |                |                |
| Total facilities – bank loans                           | 12,000         | 12,000         |
| Facilities used at reporting date – bank loans          | -              | (6,657)        |
| <b>Facilities unused at reporting date – bank loans</b> | <b>12,000</b>  | <b>5,343</b>   |

\* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust, Abacus Wodonga Land Fund.

### (e) Assets pledged as security

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

|                                              | 2014<br>\$'000   | 2013<br>\$'000   |
|----------------------------------------------|------------------|------------------|
| <b>Current</b>                               |                  |                  |
| <i>First mortgage</i>                        |                  |                  |
| Property, plant and equipment                | 2,700            | -                |
| Inventory                                    | -                | 51,590           |
| Investment properties held for sale          | 186,543          | 186,655          |
| Total current assets pledged as security     | 189,243          | 238,245          |
| <b>Non-current</b>                           |                  |                  |
| <i>First mortgage</i>                        |                  |                  |
| Freehold land and buildings                  | 3,589            | 4,897            |
| Property, plant and equipment                | 150,307          | 148,000          |
| Inventory                                    | 31,008           | 58,101           |
| Investment properties                        | 1,102,281        | 1,198,042        |
| Total non-current assets pledged as security | 1,287,185        | 1,409,040        |
| <b>Total assets pledged as security</b>      | <b>1,476,428</b> | <b>1,647,285</b> |

### (f) Defaults and breaches

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

## 21. PARENT ENTITY FINANCIAL INFORMATION

|                                                            | 2014<br>\$'000  | 2013<br>\$'000 |
|------------------------------------------------------------|-----------------|----------------|
| <b>Results of the parent entity</b>                        |                 |                |
| Profit / (loss) for the year                               | (26,913)        | 4,978          |
| <b>Total comprehensive income / (expense) for the year</b> | <b>(26,913)</b> | <b>4,978</b>   |
| <b>Financial position of the parent entity at year end</b> |                 |                |
| Current assets                                             | 7,801           | 9,951          |
| <b>Total assets</b>                                        | <b>307,169</b>  | <b>183,904</b> |
| Current liabilities                                        | 4,946           | 118            |
| <b>Total liabilities</b>                                   | <b>59,801</b>   | <b>52,638</b>  |
| <b>Net assets</b>                                          | <b>247,368</b>  | <b>131,266</b> |
| <b>Total equity of the parent entity comprising of:</b>    |                 |                |
| Issued capital                                             | 307,952         | 165,611        |
| Retained earnings                                          | (67,873)        | (40,960)       |
| Employee options reserve                                   | 7,289           | 6,615          |
| <b>Total equity</b>                                        | <b>247,368</b>  | <b>131,266</b> |

### (a) Parent entity contingencies

The parent entity has entered into the following agreement in the year ended 30 June 2011 which is current as at 30 June 2014:

- Provide a corporate guarantee to a bank to increase the amount of drawn funds available and to guarantee the payment of interest on a tranche. The maximum liability is approximately \$3.0 million (2013: 5.1 million). No property security has been provided by the parent.

### (b) Parent entity capital commitments

There are no capital commitments of the parent entity as at 30 June 2014 (2013: Nil).

## 22. FINANCIAL INSTRUMENTS

### (a) Credit risk

#### *Credit risk exposures*

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

|                           | CARRYING AMOUNT |                |
|---------------------------|-----------------|----------------|
|                           | 2014<br>\$'000  | 2013<br>\$'000 |
| Receivables               | 30,922          | 26,547         |
| Secured property loans    | 189,354         | 140,822        |
| Other financial assets    | 30,473          | 28,281         |
| Cash and cash equivalents | 61,653          | 44,822         |
|                           | <b>312,402</b>  | <b>240,472</b> |

As at 30 June 2014, the Group had the following concentrations of credit risk:

- Secured property loans: a loan which represents 37% of the portfolio covers two large projects at Riverlands and Camelia; and
- Other financial assets (fair value) include an option of \$25.7m which is represented by one issuer and is on original terms (2013: one issuer).

#### **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 credit risk by evaluation of the credit submission before acceptance; ensuring security is obtained and consistent; and timely monitoring of the financial instrument occurs to identify any potential adverse changes in the credit quality.

|                     | TOTAL<br>\$'000 | ORIGINAL<br>TERM<br>\$'000 | RENEWED/<br>EXTENDED<br>TERM <sup>1</sup><br>\$'000 | PAST DUE<br>TERM<br>\$'000 | IMPAIRED <sup>2</sup><br>\$'000 |
|---------------------|-----------------|----------------------------|-----------------------------------------------------|----------------------------|---------------------------------|
| <b>30 JUNE 2014</b> |                 |                            |                                                     |                            |                                 |
| Loans               | 189,354         | 93,027                     | 96,327                                              | -                          | -                               |
| less: provisioning  | -               | -                          | -                                                   | -                          | -                               |
| <b>Total</b>        | <b>189,354</b>  | <b>93,027</b>              | <b>96,327</b>                                       | <b>-</b>                   | <b>-</b>                        |

|                     | TOTAL<br>\$'000 | ORIGINAL<br>TERM<br>\$'000 | RENEWED/<br>EXTENDED<br>TERM <sup>1</sup><br>\$'000 | PAST DUE<br>TERM<br>\$'000 | IMPAIRED <sup>2</sup><br>\$'000 |
|---------------------|-----------------|----------------------------|-----------------------------------------------------|----------------------------|---------------------------------|
| <b>30 JUNE 2013</b> |                 |                            |                                                     |                            |                                 |
| Loans               | 140,822         | 56,321                     | 84,501                                              | -                          | -                               |
| less: provisioning  | -               | -                          | -                                                   | -                          | -                               |
| <b>Total</b>        | <b>140,822</b>  | <b>56,321</b>              | <b>84,501</b>                                       | <b>-</b>                   | <b>-</b>                        |

1. Loans are generally renewed / extended on commercial terms.

2. 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.

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Credit risk (continued)

#### Secured property loans (continued)

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

|                                | 2014<br>\$'000 | 2013<br>\$'000 |
|--------------------------------|----------------|----------------|
| Balance at 1 July 2013         | -              | -              |
| movement during the year       | -              | -              |
| <b>Balance at 30 June 2014</b> | <b>-</b>       | <b>-</b>       |

### (b) 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\*

|                                                                        | 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 2014</b>                                                    |                              |                                     |                             |                                     |                           |
| <b>Liabilities</b>                                                     |                              |                                     |                             |                                     |                           |
| Trade and other payables                                               | 13,549                       | 13,549                              | 13,549                      | -                                   | -                         |
| Interest bearing loans and borrowings incl<br>derivatives <sup>#</sup> | 557,683                      | 689,560                             | 52,148                      | 492,490                             | 144,922                   |
| Other financial liabilities                                            | 47,119                       | 47,119                              | 1,136                       | 45,983                              | -                         |
| <b>Total liabilities</b>                                               | <b>618,351</b>               | <b>750,228</b>                      | <b>66,833</b>               | <b>538,473</b>                      | <b>144,922</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 2013</b>                                                    |                              |                                     |                             |                                     |                           |
| <b>Liabilities</b>                                                     |                              |                                     |                             |                                     |                           |
| Trade and other payables                                               | 51,787                       | 51,787                              | 51,787                      | -                                   | -                         |
| Interest bearing loans and borrowings incl<br>derivatives <sup>#</sup> | 628,862                      | 715,475                             | 79,834                      | 624,742                             | 10,899                    |
| Other financial liabilities                                            | 56,250                       | 56,250                              | 11,000                      | 45,250                              | -                         |
| <b>Total liabilities</b>                                               | <b>736,899</b>               | <b>823,512</b>                      | <b>142,621</b>              | <b>669,992</b>                      | <b>10,899</b>             |

<sup>#</sup> 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, Abacus Miller Street Holding Trust, Abacus Wodonga Land Fund.

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Liquidity Risk (continued)

#### Abacus Hospitality Fund

| 30 JUNE 2014                                                           | 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>Liabilities</b>                                                     |                              |                                     |                             |                                     |                           |
| Trade and other payables                                               | 6,044                        | 6,044                               | 6,044                       | -                                   | -                         |
| Interest bearing loans and borrowings incl<br>derivatives <sup>#</sup> | 180,175                      | 232,334                             | 13,424                      | 218,910                             | -                         |
| <b>Total liabilities</b>                                               | <b>186,219</b>               | <b>238,378</b>                      | <b>19,468</b>               | <b>218,910</b>                      | <b>-</b>                  |

| 30 JUNE 2013                                                           | 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>Liabilities</b>                                                     |                              |                                     |                             |                                     |                           |
| Trade and other payables                                               | 8,645                        | 8,645                               | 8,645                       | -                                   | -                         |
| Interest bearing loans and borrowings incl<br>derivatives <sup>#</sup> | 96,645                       | 105,957                             | 64,796                      | 19,960                              | 21,201                    |
| <b>Total liabilities</b>                                               | <b>105,290</b>               | <b>114,602</b>                      | <b>73,441</b>               | <b>19,960</b>                       | <b>21,201</b>             |

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

#### Abacus Diversified Income Fund II

| 30 JUNE 2014                                                           | 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>Liabilities</b>                                                     |                              |                                     |                             |                                     |                           |
| Trade and other payables                                               | 1,377                        | 1,377                               | 1,377                       | -                                   | -                         |
| Interest bearing loans and borrowings incl<br>derivatives <sup>#</sup> | 83,436                       | 107,347                             | 8,337                       | 99,010                              | -                         |
| <b>Total liabilities</b>                                               | <b>84,813</b>                | <b>108,724</b>                      | <b>9,714</b>                | <b>99,010</b>                       | <b>-</b>                  |

| 30 JUNE 2013                                                           | 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>Liabilities</b>                                                     |                              |                                     |                             |                                     |                           |
| Trade and other payables                                               | 1,826                        | 1,826                               | 1,826                       | -                                   | -                         |
| Interest bearing loans and borrowings incl<br>derivatives <sup>#</sup> | 90,750                       | 96,241                              | 37,321                      | 58,920                              | -                         |
| <b>Total liabilities</b>                                               | <b>92,576</b>                | <b>98,067</b>                       | <b>39,147</b>               | <b>58,920</b>                       | <b>-</b>                  |

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

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Liquidity Risk (continued)

#### Abacus Miller Street Holding Trust

|                                                                        | 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 2014</b>                                                    |                              |                                     |                             |                                     |                           |
| <b>Liabilities</b>                                                     |                              |                                     |                             |                                     |                           |
| Trade and other payables                                               | -                            | -                                   | -                           | -                                   | -                         |
| Interest bearing loans and borrowings incl<br>derivatives <sup>#</sup> | -                            | -                                   | -                           | -                                   | -                         |
| <b>Total liabilities</b>                                               | <b>-</b>                     | <b>-</b>                            | <b>-</b>                    | <b>-</b>                            | <b>-</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 2013</b>                                                    |                              |                                     |                             |                                     |                           |
| <b>Liabilities</b>                                                     |                              |                                     |                             |                                     |                           |
| Trade and other payables                                               | 715                          | 715                                 | 715                         | -                                   | -                         |
| Interest bearing loans and borrowings incl<br>derivatives <sup>#</sup> | 35,086                       | 36,244                              | 36,244                      | -                                   | -                         |
| <b>Total liabilities</b>                                               | <b>35,801</b>                | <b>36,959</b>                       | <b>36,959</b>               | <b>-</b>                            | <b>-</b>                  |

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

#### Abacus Wodonga Land Fund

|                                                                        | 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 2014</b>                                                    |                              |                                     |                             |                                     |                           |
| <b>Liabilities</b>                                                     |                              |                                     |                             |                                     |                           |
| Trade and other payables                                               | 557                          | 557                                 | 557                         | -                                   | -                         |
| Interest bearing loans and borrowings incl<br>derivatives <sup>#</sup> | 41,864                       | 50,269                              | 4,928                       | 45,341                              | -                         |
| <b>Total liabilities</b>                                               | <b>42,421</b>                | <b>50,826</b>                       | <b>5,485</b>                | <b>45,341</b>                       | <b>-</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 2013</b>                                                    |                              |                                     |                             |                                     |                           |
| <b>Liabilities</b>                                                     |                              |                                     |                             |                                     |                           |
| Trade and other payables                                               | 173                          | 173                                 | 173                         | -                                   | -                         |
| Interest bearing loans and borrowings incl<br>derivatives <sup>#</sup> | 48,053                       | 53,714                              | 4,786                       | 48,905                              | 23                        |
| <b>Total liabilities</b>                                               | <b>48,226</b>                | <b>53,887</b>                       | <b>4,959</b>                | <b>48,905</b>                       | <b>23</b>                 |

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

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Currency Risk

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

|                                       | AUD            |                | NZD            |                | GBP           |               |
|---------------------------------------|----------------|----------------|----------------|----------------|---------------|---------------|
|                                       | 2014<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000 | 2013<br>\$'000 | 2014<br>£'000 | 2013<br>£'000 |
| <b>Assets</b>                         |                |                |                |                |               |               |
| Cash at bank                          | 2,094          | 3,982          | 2,198          | 4,727          | -             | -             |
| Investment in securities              | 4,687          | 4,270          | -              | -              | 2,590         | 2,593         |
| <b>Total assets</b>                   | <b>6,781</b>   | <b>8,252</b>   | <b>2,198</b>   | <b>4,727</b>   | <b>2,590</b>  | <b>2,593</b>  |
| <b>Liabilities</b>                    |                |                |                |                |               |               |
| Interest bearing loans and borrowings | 84,845         | 76,911         | 91,302         | 91,302         | -             | -             |
| <b>Total liabilities</b>              | <b>84,845</b>  | <b>76,911</b>  | <b>91,302</b>  | <b>91,302</b>  | <b>-</b>      | <b>-</b>      |

Abacus and Abacus Hospitality Fund borrow 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 2014, 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:

|                                              | POST TAX PROFIT<br>HIGHER/(LOWER) |                | EQUITY<br>HIGHER/(LOWER) |                |
|----------------------------------------------|-----------------------------------|----------------|--------------------------|----------------|
| JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS: | 2014<br>\$'000                    | 2013<br>\$'000 | 2014<br>\$'000           | 2013<br>\$'000 |
| AUD/GBP + 10%                                | (426)                             | (388)          | -                        | -              |
| AUD/GBP - 10%                                | 521                               | 474            | -                        | -              |
| AUD/NZD + 10%                                | (5,735)                           | (5,381)        | -                        | -              |
| AUD/NZD - 10%                                | 7,009                             | 6,577          | -                        | -              |

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### (d) 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<sup>^</sup>

|                                                    | 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 2014</b>                                |                                     |                                                 |                                          |                                          |                                   |                 |
| <b>Financial Assets</b>                            |                                     |                                                 |                                          |                                          |                                   |                 |
| Cash and cash equivalents                          | 53,734                              | -                                               | -                                        | -                                        | -                                 | 53,734          |
| Receivables                                        | -                                   | -                                               | 7,085                                    | -                                        | 17,762                            | 24,847          |
| Derivatives                                        | -                                   | -                                               | -                                        | -                                        | 247                               | 247             |
| Secured loans                                      | -                                   | 4,895                                           | 184,459                                  | -                                        | -                                 | 189,354         |
| <b>Total financial assets</b>                      | <b>53,734</b>                       | <b>4,895</b>                                    | <b>191,544</b>                           | <b>-</b>                                 | <b>18,009</b>                     | <b>268,182</b>  |
| Weighted average interest rate*                    | 1.45%                               | 12.20%                                          | 10.91%                                   |                                          |                                   |                 |
| <b>Financial liabilities</b>                       |                                     |                                                 |                                          |                                          |                                   |                 |
| Interest bearing liabilities - bank                | 500,383                             | -                                               | -                                        | -                                        | -                                 | 500,383         |
| Interest bearing liabilities - other               | -                                   | 20,959                                          | -                                        | -                                        | -                                 | 20,959          |
| Derivatives                                        | -                                   | -                                               | -                                        | -                                        | 39,329                            | 39,329          |
| Payables                                           | -                                   | -                                               | -                                        | -                                        | 13,549                            | 13,549          |
| <b>Total financial liabilities</b>                 | <b>500,383</b>                      | <b>20,959</b>                                   | <b>-</b>                                 | <b>-</b>                                 | <b>52,878</b>                     | <b>574,220</b>  |
| Notional principal swap balance maturities*        | -                                   | 59,900                                          | 250,555                                  | 70,000                                   | -                                 | 380,455         |
| Weighted average interest rate on drawn bank debt* | 5.41%                               |                                                 |                                          |                                          |                                   |                 |

|                                                    | 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 2013</b>                                |                                     |                                                 |                                          |                                          |                                   |                 |
| <b>Financial Assets</b>                            |                                     |                                                 |                                          |                                          |                                   |                 |
| Cash and cash equivalents                          | 29,686                              | -                                               | -                                        | -                                        | -                                 | 29,686          |
| Receivables                                        | -                                   | -                                               | 6,897                                    | -                                        | 13,839                            | 20,736          |
| Secured loans                                      | -                                   | 2,452                                           | 138,370                                  | -                                        | -                                 | 140,822         |
| <b>Total financial assets</b>                      | <b>29,686</b>                       | <b>2,452</b>                                    | <b>145,267</b>                           | <b>-</b>                                 | <b>13,839</b>                     | <b>191,244</b>  |
| Weighted average interest rate*                    | 1.30%                               | 7.00%                                           | 11.07%                                   |                                          |                                   |                 |
| <b>Financial liabilities</b>                       |                                     |                                                 |                                          |                                          |                                   |                 |
| Interest bearing liabilities - bank                | 561,802                             | -                                               | -                                        | -                                        | -                                 | 561,802         |
| Interest bearing liabilities - other               | -                                   | 27,075                                          | -                                        | -                                        | 4,292                             | 31,367          |
| Derivatives                                        | -                                   | -                                               | -                                        | -                                        | 35,691                            | 35,691          |
| Payables                                           | -                                   | -                                               | -                                        | -                                        | 51,787                            | 51,787          |
| <b>Total financial liabilities</b>                 | <b>561,802</b>                      | <b>27,075</b>                                   | <b>-</b>                                 | <b>-</b>                                 | <b>91,770</b>                     | <b>680,647</b>  |
| Notional principal swap balance maturities*        | -                                   | -                                               | 288,066                                  | 180,000                                  | -                                 | 468,066         |
| Weighted average interest rate on drawn bank debt* | 6.05%                               |                                                 |                                          |                                          |                                   |                 |

\* rate calculated at 30 June excluding forward starts.

<sup>^</sup> Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust, Abacus Wodonga Land Fund.

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Interest rate risk (continued)

#### Abacus Hospitality Fund

|                                                    | 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 2014</b>                                |                                     |                                                 |                                          |                                          |                                   |                 |
| <b>Financial Assets</b>                            |                                     |                                                 |                                          |                                          |                                   |                 |
| Cash and cash equivalents                          | 6,467                               | -                                               | -                                        | -                                        | -                                 | 6,467           |
| Receivables                                        | -                                   | -                                               | -                                        | -                                        | 1,907                             | 1,907           |
| <b>Total financial assets</b>                      | <b>6,467</b>                        | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>1,907</b>                      | <b>8,374</b>    |
| Weighted average interest rate*                    | 1.90%                               |                                                 |                                          |                                          |                                   |                 |
| <b>Financial liabilities</b>                       |                                     |                                                 |                                          |                                          |                                   |                 |
| Interest bearing liabilities - bank                | 65,885                              | -                                               | -                                        | -                                        | -                                 | 65,885          |
| Related party loans                                | -                                   | -                                               | 25,551                                   | -                                        | -                                 | 25,551          |
| Derivatives                                        | -                                   | -                                               | -                                        | -                                        | 9,675                             | 9,675           |
| Payables                                           | -                                   | -                                               | -                                        | -                                        | 6,044                             | 6,044           |
| <b>Total financial liabilities</b>                 | <b>65,885</b>                       | <b>-</b>                                        | <b>25,551</b>                            | <b>-</b>                                 | <b>15,719</b>                     | <b>107,155</b>  |
| Notional principal swap balance maturities*#       | -                                   | -                                               | 42,942                                   | -                                        | -                                 | 42,942          |
| Weighted average interest rate on drawn bank debt* | 7.70%                               |                                                 |                                          |                                          |                                   |                 |
|                                                    |                                     |                                                 |                                          |                                          |                                   |                 |
|                                                    | 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 2013</b>                                |                                     |                                                 |                                          |                                          |                                   |                 |
| <b>Financial Assets</b>                            |                                     |                                                 |                                          |                                          |                                   |                 |
| Cash and cash equivalents                          | 10,972                              | -                                               | -                                        | -                                        | -                                 | 10,972          |
| Receivables                                        | -                                   | -                                               | -                                        | -                                        | 4,025                             | 4,025           |
| <b>Total financial assets</b>                      | <b>10,972</b>                       | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>4,025</b>                      | <b>14,997</b>   |
| Weighted average interest rate*                    | 2.00%                               |                                                 |                                          |                                          |                                   |                 |
| <b>Financial liabilities</b>                       |                                     |                                                 |                                          |                                          |                                   |                 |
| Interest bearing liabilities - bank                | 58,043                              | -                                               | -                                        | -                                        | -                                 | 58,043          |
| Related party loans                                | -                                   | -                                               | 27,350                                   | -                                        | -                                 | 27,350          |
| Derivatives                                        | -                                   | -                                               | -                                        | -                                        | 11,251                            | 11,251          |
| Payables                                           | -                                   | -                                               | -                                        | -                                        | 8,645                             | 8,645           |
| <b>Total financial liabilities</b>                 | <b>58,043</b>                       | <b>-</b>                                        | <b>27,350</b>                            | <b>-</b>                                 | <b>19,896</b>                     | <b>105,289</b>  |
| Notional principal swap balance maturities*        | -                                   | -                                               | 42,942                                   | -                                        | -                                 | 42,942          |
| Weighted average interest rate on drawn bank debt* | 8.03%                               |                                                 |                                          |                                          |                                   |                 |

\* rate calculated at 30 June excluding forward starts.

# The Fund has an additional \$83.4 million interest rate swap position which in notional terms exceeds the amount of debt borrowed, as a result of repaying bank debt from hotel sales, including Diplomat in October 2012 and Swissotel in June 2010. This means that after June 2015 more than 100% of the Fund's debt will be hedged.

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### (d) 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 2014</b>                                |                                     |                                                 |                                          |                                          |                                   |                 |
| <b>Financial Assets</b>                            |                                     |                                                 |                                          |                                          |                                   |                 |
| Cash and cash equivalents                          | 1,276                               | -                                               | -                                        | -                                        | -                                 | 1,276           |
| Receivables                                        | -                                   | -                                               | -                                        | -                                        | 808                               | 808             |
| <b>Total financial assets</b>                      | <b>1,276</b>                        | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>808</b>                        | <b>2,084</b>    |
| Weighted average interest rate*                    | 1.05%                               |                                                 |                                          |                                          |                                   |                 |
| <b>Financial liabilities</b>                       |                                     |                                                 |                                          |                                          |                                   |                 |
| Interest bearing liabilities - bank                | 27,371                              | -                                               | -                                        | -                                        | -                                 | 27,371          |
| Derivatives                                        | -                                   | -                                               | -                                        | -                                        | 5,391                             | 5,391           |
| Payables                                           | -                                   | -                                               | -                                        | -                                        | 1,377                             | 1,377           |
| <b>Total financial liabilities</b>                 | <b>27,371</b>                       | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>6,768</b>                      | <b>34,139</b>   |
| Notional principal swap balance maturities*        | -                                   | -                                               | 53,500                                   | -                                        | -                                 | 53,500          |
| Weighted average interest rate on drawn bank debt* | 8.05%                               |                                                 |                                          |                                          |                                   |                 |
|                                                    |                                     |                                                 |                                          |                                          |                                   |                 |
|                                                    | 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 2013</b>                                |                                     |                                                 |                                          |                                          |                                   |                 |
| <b>Financial Assets</b>                            |                                     |                                                 |                                          |                                          |                                   |                 |
| Cash and cash equivalents                          | 468                                 | -                                               | -                                        | -                                        | -                                 | 468             |
| Receivables                                        | -                                   | -                                               | -                                        | -                                        | 1,218                             | 1,218           |
| <b>Total financial assets</b>                      | <b>468</b>                          | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>1,218</b>                      | <b>1,686</b>    |
| Weighted average interest rate*                    | 1.30%                               |                                                 |                                          |                                          |                                   |                 |
| <b>Financial liabilities</b>                       |                                     |                                                 |                                          |                                          |                                   |                 |
| Interest bearing liabilities - bank                | 84,505                              | -                                               | -                                        | -                                        | -                                 | 84,505          |
| Derivatives                                        | -                                   | -                                               | -                                        | -                                        | 6,210                             | 6,210           |
| Payables                                           | -                                   | -                                               | -                                        | -                                        | 1,826                             | 1,826           |
| <b>Total financial liabilities</b>                 | <b>84,505</b>                       | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>8,036</b>                      | <b>92,541</b>   |
| Notional principal swap balance maturities*        | -                                   | 25,000                                          | 53,500                                   | -                                        | -                                 | 78,500          |
| Weighted average interest rate on drawn bank debt* | 8.86%                               |                                                 |                                          |                                          |                                   |                 |

\* rate calculated at 30 June.

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### (d) 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 2014</b>           |                                     |                                                 |                                          |                                          |                                   |                 |
| <b>Financial Assets</b>       |                                     |                                                 |                                          |                                          |                                   |                 |
| <b>Total financial assets</b> | -                                   | -                                               | -                                        | -                                        | -                                 | -               |

Weighted average interest rate\*

#### Financial liabilities

|                                    |   |   |   |   |   |   |
|------------------------------------|---|---|---|---|---|---|
| <b>Total financial liabilities</b> | - | - | - | - | - | - |
|------------------------------------|---|---|---|---|---|---|

|                               | 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 2013</b>           |                                     |                                                 |                                          |                                          |                                   |                 |
| <b>Financial Assets</b>       |                                     |                                                 |                                          |                                          |                                   |                 |
| Cash and cash equivalents     | 1,653                               | -                                               | -                                        | -                                        | -                                 | 1,653           |
| Receivables                   | -                                   | -                                               | -                                        | -                                        | 50                                | 50              |
| <b>Total financial assets</b> | <b>1,653</b>                        | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>50</b>                         | <b>1,703</b>    |

Weighted average interest rate\* 1.30%

#### Financial liabilities

|                                     |               |          |          |          |              |               |
|-------------------------------------|---------------|----------|----------|----------|--------------|---------------|
| Interest bearing liabilities - bank | 34,000        | -        | -        | -        | -            | 34,000        |
| Derivatives                         | -             | -        | -        | -        | 1,096        | 1,096         |
| Payables                            | -             | -        | -        | -        | 715          | 715           |
| <b>Total financial liabilities</b>  | <b>34,000</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>1,811</b> | <b>35,811</b> |

Notional principal swap balance maturities\* - 33,000 - - - 33,000

Weighted average interest rate on drawn bank debt\* 8.09%

\* rate calculated at 30 June.

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Interest rate risk (continued)

#### Abacus Wodonga Land Fund

|                                                    | 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 2014</b>                                |                                     |                                                 |                                          |                                          |                                   |                 |
| <b>Financial Assets</b>                            |                                     |                                                 |                                          |                                          |                                   |                 |
| Cash and cash equivalents                          | 176                                 | -                                               | -                                        | -                                        | -                                 | 176             |
| Receivables                                        | -                                   | -                                               | -                                        | -                                        | 793                               | 793             |
| <b>Total financial assets</b>                      | <b>176</b>                          | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>793</b>                        | <b>969</b>      |
| Weighted average interest rate*                    | 2.06%                               |                                                 |                                          |                                          |                                   |                 |
| <b>Financial liabilities</b>                       |                                     |                                                 |                                          |                                          |                                   |                 |
| Derivatives                                        | -                                   | -                                               | -                                        | -                                        | 2,961                             | 2,961           |
| Payables                                           | -                                   | -                                               | -                                        | -                                        | 557                               | 557             |
| <b>Total financial liabilities</b>                 | <b>-</b>                            | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>3,518</b>                      | <b>3,518</b>    |
| Notional principal swap balance maturities*        | -                                   | -                                               | 20,000                                   | -                                        | -                                 | 20,000          |
| Weighted average interest rate on drawn bank debt* | 10.50%                              |                                                 |                                          |                                          |                                   |                 |
|                                                    |                                     |                                                 |                                          |                                          |                                   |                 |
|                                                    | 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 2013</b>                                |                                     |                                                 |                                          |                                          |                                   |                 |
| <b>Financial Assets</b>                            |                                     |                                                 |                                          |                                          |                                   |                 |
| Cash and cash equivalents                          | 2,042                               | -                                               | -                                        | -                                        | -                                 | 2,042           |
| Receivables                                        | -                                   | -                                               | -                                        | -                                        | 427                               | 427             |
| <b>Total financial assets</b>                      | <b>2,042</b>                        | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>427</b>                        | <b>2,469</b>    |
| Weighted average interest rate*                    | 2.74%                               |                                                 |                                          |                                          |                                   |                 |
| <b>Financial liabilities</b>                       |                                     |                                                 |                                          |                                          |                                   |                 |
| Interest bearing liabilities - bank                | 6,657                               | -                                               | -                                        | -                                        | -                                 | 6,657           |
| Derivatives                                        | -                                   | -                                               | -                                        | -                                        | 2,957                             | 2,957           |
| Payables                                           | -                                   | -                                               | -                                        | -                                        | 173                               | 173             |
| <b>Total financial liabilities</b>                 | <b>6,657</b>                        | <b>-</b>                                        | <b>-</b>                                 | <b>-</b>                                 | <b>3,130</b>                      | <b>9,787</b>    |
| Notional principal swap balance maturities*        | -                                   | -                                               | -                                        | 10,000                                   | -                                 | 10,000          |
| Weighted average interest rate on drawn bank debt* | 10.50%                              |                                                 |                                          |                                          |                                   |                 |

\* rate calculated at 30 June.

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### (d) 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:

|                       |                                          | AUD              |                  |                  |                  |
|-----------------------|------------------------------------------|------------------|------------------|------------------|------------------|
|                       |                                          | -1%              |                  | +1%              |                  |
|                       | CARRYING<br>AMOUNT<br>FLOATING<br>\$'000 | PROFIT<br>\$'000 | EQUITY<br>\$'000 | PROFIT<br>\$'000 | EQUITY<br>\$'000 |
| <b>30 JUNE 2014</b>   |                                          |                  |                  |                  |                  |
| Financial assets      | 61,654                                   | (617)            | -                | 617              | -                |
| Financial liabilities | 200,601                                  | (20,349)         | -                | 18,991           | -                |
| <b>30 JUNE 2013</b>   |                                          |                  |                  |                  |                  |
| Financial assets      | 44,822                                   | (448)            | -                | 448              | -                |
| Financial liabilities | 176,036                                  | (26,330)         | -                | 26,619           | -                |

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

### (e) Price risk

The Group is exposed to price risk arising from investments in unlisted securities. The key risk variable is the movement in the net assets which approximates fair value of the underlying entities. The Group manages their exposure through regularly monitoring the performance of these investments and conducts sensitivity analysis for fluctuations in the underlying asset values.

A fluctuation of 15% in the net asset value in the securities would impact the net profit after income tax expense of the Group, with all other variables held constant, by an increase/(decrease) of \$0.50 million (2013: \$0.49 million).

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### (f) Fair values

Set out below, is a comparison by category of the carrying amounts and fair values of all the Group's financial instruments:

|                                                                  | CARRYING<br>AMOUNT<br><b>2014</b><br>\$'000 | FAIR<br>VALUE<br><b>2014</b><br>\$'000 | CARRYING<br>AMOUNT<br>2013<br>\$'000 | FAIR<br>VALUE<br>2013<br>\$'000 |
|------------------------------------------------------------------|---------------------------------------------|----------------------------------------|--------------------------------------|---------------------------------|
| CONSOLIDATED                                                     |                                             |                                        |                                      |                                 |
| <b>Financial assets</b>                                          |                                             |                                        |                                      |                                 |
| Cash and cash equivalents <sup>1</sup>                           | 61,653                                      | 61,653                                 | 44,822                               | 44,822                          |
| Trade and other receivables (current) <sup>1</sup>               | 21,165                                      | 21,165                                 | 19,560                               | 19,560                          |
| Trade and other receivables (non-current) <sup>1</sup>           | 7,085                                       | 7,085                                  | 6,897                                | 6,897                           |
| Property loans (current) <sup>2</sup>                            | 4,939                                       | 4,939                                  | 2,452                                | 2,452                           |
| Property loans (non-current) <sup>2</sup>                        | 184,415                                     | 184,415                                | 138,370                              | 138,370                         |
| Investment in securities – unlisted <sup>3</sup>                 | 4,733                                       | 4,733                                  | 4,642                                | 4,642                           |
| Derivatives (current) <sup>3</sup>                               | 247                                         | 247                                    | –                                    | –                               |
| Investment in other financial assets <sup>3</sup>                | 25,740                                      | 25,740                                 | 23,640                               | 23,640                          |
| <b>Total financial assets</b>                                    | <b>309,977</b>                              | <b>309,977</b>                         | <b>240,383</b>                       | <b>240,383</b>                  |
| <b>Financial Liabilities</b>                                     |                                             |                                        |                                      |                                 |
| Trade and other payables <sup>1</sup>                            | 21,527                                      | 21,527                                 | 63,313                               | 63,313                          |
| Interest bearing loans and borrowings (current) <sup>4</sup>     | 16,667                                      | 16,667                                 | 164,318                              | 164,318                         |
| Interest bearing loans and borrowings (non-current) <sup>4</sup> | 620,247                                     | 620,247                                | 639,290                              | 639,290                         |
| Derivatives (current) <sup>3</sup>                               | –                                           | –                                      | 1,263                                | 1,263                           |
| Derivatives (non-current) <sup>3</sup>                           | 57,602                                      | 57,602                                 | 55,942                               | 55,942                          |
| Other financial liabilities (current) <sup>5</sup>               | 1,136                                       | 1,136                                  | 11,000                               | 11,000                          |
| Other financial liabilities (non-current) <sup>5</sup>           | 45,983                                      | 45,983                                 | 45,250                               | 45,250                          |
| <b>Total financial liabilities</b>                               | <b>763,162</b>                              | <b>763,162</b>                         | <b>980,376</b>                       | <b>980,376</b>                  |
| <b>Net financial assets / (liabilities)</b>                      | <b>(453,185)</b>                            | <b>(453,185)</b>                       | <b>(739,993)</b>                     | <b>(739,993)</b>                |

1. These financial assets and liabilities are not subject to interest rate risk and the fair value approximates carrying value.

2. These receivables are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer and the risk characteristics of the project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 30 June 2014, the carrying amounts of receivables, net of allowances, were not materially different from their carrying values.

3. These financial assets and liabilities are subject to interest rate and market risks, the basis of determining the fair value is set out below in the fair value hierarchy.

4. The fair value of these financial liabilities (excluding derivative instruments) are determined at each reporting date in accordance with generally accepted valuation techniques; these include the use of recent arm's length transactions, reference to other assets that are substantially the same; or discounted cash flow analysis.

5. The fair value of these financial liabilities recognises their associated risks and discounts any amounts payable in the future by an appropriate discount rate. Refer to disclosure Note 30 for more details relating to this liability.

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### (f) Fair values (continued)

In accordance with AASB 7 Financial Instruments: Disclosures and AASB13 Fair Value Measurement the Group's financial instruments are classified into the following fair value measurement hierarchy:

*Level 1* Quoted prices (unadjusted) in active market for identical assets or liabilities;

*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

*Level 3* Inputs for the asset or liability that are not based on observable market data.

| 30 JUNE 2014                          | LEVEL 1<br>\$'000 | LEVEL 2<br>\$'000 | LEVEL 3<br>\$'000 | TOTAL<br>\$'000  |
|---------------------------------------|-------------------|-------------------|-------------------|------------------|
| <b>Current</b>                        |                   |                   |                   |                  |
| Property Loans                        | -                 | -                 | 4,939             | 4,939            |
| Derivative asset                      | -                 | 247               | -                 | 247              |
| Interest bearing loans and borrowings | -                 | -                 | (16,667)          | (16,667)         |
| <b>Total current</b>                  | <b>-</b>          | <b>247</b>        | <b>(11,728)</b>   | <b>(11,481)</b>  |
| <b>Non-current</b>                    |                   |                   |                   |                  |
| Property Loans                        | -                 | -                 | 184,415           | 184,415          |
| Investment in securities - unlisted   | -                 | -                 | 4,733             | 4,733            |
| Investment in options                 | -                 | -                 | 25,740            | 25,740           |
| Derivative liabilities                | -                 | (57,602)          | -                 | (57,602)         |
| Interest bearing loans and borrowings | -                 | -                 | (620,247)         | (620,247)        |
| <b>Total non-current</b>              | <b>-</b>          | <b>(57,602)</b>   | <b>(405,359)</b>  | <b>(462,961)</b> |
| 30 JUNE 2013                          | LEVEL 1<br>\$'000 | LEVEL 2<br>\$'000 | LEVEL 3<br>\$'000 | TOTAL<br>\$'000  |
| <b>Current</b>                        |                   |                   |                   |                  |
| Property Loans                        | -                 | -                 | 2,452             | -                |
| Derivative asset                      | -                 | (1,263)           | -                 | (1,263)          |
| Interest bearing loans and borrowings | -                 | -                 | (164,318)         | (164,318)        |
| <b>Total current</b>                  | <b>-</b>          | <b>(1,263)</b>    | <b>(161,866)</b>  | <b>(165,581)</b> |
| <b>Non-current</b>                    |                   |                   |                   |                  |
| Property Loans                        | -                 | -                 | 138,370           | 138,370          |
| Investment in securities - unlisted   | -                 | -                 | 4,642             | 4,642            |
| Investment in options                 | -                 | -                 | 23,640            | 23,640           |
| Derivative liabilities                | -                 | (55,942)          | -                 | (55,942)         |
| Interest bearing loans and borrowings | -                 | -                 | (639,290)         | (639,290)        |
| <b>Total non-current</b>              | <b>-</b>          | <b>(55,942)</b>   | <b>(472,638)</b>  | <b>(528,580)</b> |

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

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### (f) 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 2014.

|                                                  | UNLISTED<br>SECURITIES<br>\$'000 | OPTIONS<br>\$'000 | TOTAL<br>\$'000 |
|--------------------------------------------------|----------------------------------|-------------------|-----------------|
| <b>Opening balance as at 30 June 2013</b>        | 4,642                            | 23,640            | 28,282          |
| fair value movement through the income statement | 416                              | 2,100             | 2,516           |
| redemptions / conversions                        | (325)                            | -                 | (325)           |
| <b>Closing balance as at 30 June 2014</b>        | <b>4,733</b>                     | <b>25,740</b>     | <b>30,473</b>   |

|                                                  | UNLISTED<br>SECURITIES<br>\$'000 | OPTIONS<br>\$'000 | TOTAL<br>\$'000 |
|--------------------------------------------------|----------------------------------|-------------------|-----------------|
| <b>Opening balance as at 30 June 2012</b>        | 4,490                            | 27,885            | 32,375          |
| fair value movement through the income statement | 170                              | 3,640             | 3,810           |
| transfers to investment properties               | -                                | (7,885)           | (7,885)         |
| redemptions / conversions                        | (18)                             | -                 | (18)            |
| <b>Closing balance as at 30 June 2013</b>        | <b>4,642</b>                     | <b>23,640</b>     | <b>28,282</b>   |

#### *Determination of fair value*

The fair value of unlisted securities is determined by reference to the net assets which approximates fair value 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 \$8.4 million (2013: \$6.5 million) or increase the fair value by \$8.4 million (2013: \$6.5 million).

## 23. CONTRIBUTED EQUITY

|                                                    | 2014<br>\$'000     | 2013<br>\$'000   |
|----------------------------------------------------|--------------------|------------------|
| <b>(a) Issued stapled securities</b>               |                    |                  |
| Stapled securities                                 | 1,444,602          | 1,308,406        |
| Issue costs                                        | (40,846)           | (40,025)         |
| <b>Total contributed equity</b>                    | <b>1,403,756</b>   | <b>1,268,381</b> |
|                                                    | STAPLED SECURITIES |                  |
| <b>(b) Movement in stapled securities on issue</b> | NUMBER<br>'000     | VALUE<br>\$'000  |
| <b>At 30 June 2013</b>                             | 453,040            | 1,268,381        |
| - equity raisings                                  | 42,759             | 95,968           |
| - distribution reinvestment plan                   | 17,980             | 40,227           |
| - less transaction costs                           | -                  | (820)            |
| <b>Securities on issue at 30 June 2014</b>         | <b>513,779</b>     | <b>1,403,756</b> |

## 24. CAPITAL MANAGEMENT

### Abacus\*

Abacus 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. Abacus also protects its equity in assets by taking out insurance.

Abacus 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, Abacus reviews its capital structure to ensure sufficient funds and financing facilities (on a cost effective basis) are available to implement its 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 following strategies are available to the Group to manage its capital: issuing new stapled securities, activating its distribution reinvestment plan, electing to have the distribution reinvestment plan underwritten, adjusting the amount of distributions paid to members, activating a security buyback program, divesting assets, active management of its 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.

During the financial year, Abacus has renewed all of its banking facilities including the \$200 million storage facility to October 2018 and a \$40 million bilateral facility to July 2019. Abacus has also arranged a new syndicated bank facility totalling \$480 million replacing its existing syndicate facility and working capital facility.

Abacus 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, Abacus agrees with other parties to exchange, at specified intervals (mainly monthly), 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 have not been 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.

\* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust, Abacus Wodonga Land Fund.

A summary of Abacus' key banking covenants and its compliance is set out below:

| METRICS                     | COVENANT REQUIREMENT / MEASURE     | KEY DETAILS                                                                                           |
|-----------------------------|------------------------------------|-------------------------------------------------------------------------------------------------------|
| <b>Nature of facilities</b> | Secured, non recourse <sup>1</sup> | Abacus has no unsecured facilities                                                                    |
| <b>Group ICR</b>            | $\geq 2.0^2$                       | Abacus EBITDA (ex fair value P&L and impairment to goodwill and intangibles) / total interest expense |
| <b>Total gearing</b>        | $\leq 50\%^2$                      | Total liabilities (net of cash) / total tangible assets (net of cash)                                 |
| <b>Debt covenants</b>       | Compliant                          | Key covenants include Bank LVR, Property ICR and Look Through Gearing                                 |

1. There are no market capitalisation covenants.

2. Condition of the current \$480m Syndicated facility and the \$40m Bilateral facility.

## 24. CAPITAL MANAGEMENT (CONTINUED)

### 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 AWLF (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; and
- There is currently no DRP for any of the Funds.

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

| METRICS                     | AHF                   | ADIF II               | AWLF                  |
|-----------------------------|-----------------------|-----------------------|-----------------------|
| <b>Nature of facilities</b> | Secured, non recourse | Secured, non recourse | Secured, non recourse |
| <b>Debt covenants</b>       | Compliant             | Compliant             | Compliant             |

## 25. INTEREST IN SUBSIDIARIES

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

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

| NAME OF ENTITY                     | PRINCIPAL<br>PLACE OF<br>BUSINESS | % HELD BY<br>NCI | (PROFIT)/LOSS<br>ALLOCATED TO<br>NCI<br>\$'000 | ACCUMULATED<br>NCI<br>\$'000 |
|------------------------------------|-----------------------------------|------------------|------------------------------------------------|------------------------------|
| <b>30 June 2014</b>                |                                   |                  |                                                |                              |
| Abacus Hospitality Fund*           | Australia                         | 90               | 1,743                                          | 27,939                       |
| Abacus Miller Street Holding Trust | Australia                         | 70               | (458)                                          | -                            |
| Abacus Wodonga Land Fund           | Australia                         | 85               | -                                              | -                            |
|                                    |                                   |                  | <b>1,285</b>                                   | <b>27,939</b>                |
| <b>30 June 2013</b>                |                                   |                  |                                                |                              |
| Abacus Hospitality Fund*           | Australia                         | 90               | (5,278)                                        | 30,041                       |
| Abacus Miller Street Holding Trust | Australia                         | 70               | 445                                            | 4,329                        |
| Abacus Wodonga Land Fund^          | Australia                         | 85               | -                                              | -                            |
|                                    |                                   |                  | <b>(4,833)</b>                                 | <b>34,370</b>                |

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

\* The Abacus working capital facility ranks pari passu for downside but not on upside at fund wind up.

^ Abacus Wodonga Land Fund consolidated into the Group on 30 June 2013, therefore, there is no profit and loss.

### Significant Restrictions

There are no significant restrictions.

### (b) Summarised financial information about subsidiaries with material NCI

Summarised statement of financial position

|                               | <b>2014</b><br><b>\$'000</b> | 2013<br>\$'000  |
|-------------------------------|------------------------------|-----------------|
| ABACUS HOSPITALITY FUND       |                              |                 |
| Current assets                | 9,424                        | 15,758          |
| Current liabilities           | (7,101)                      | (67,790)        |
| <b>Net current assets</b>     | <b>2,323</b>                 | <b>(52,032)</b> |
| Non-current assets            | 153,454                      | 148,682         |
| Non-current liabilities       | (181,130)                    | (117,798)       |
| <b>Net non-current assets</b> | <b>(27,676)</b>              | <b>30,884</b>   |
| <b>Net deficiency</b>         | <b>(25,353)</b>              | <b>(21,148)</b> |

## 25. INTEREST IN SUBSIDIARIES (CONTINUED)

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

|                                               | 2014<br>\$'000  | 2013<br>\$'000  |
|-----------------------------------------------|-----------------|-----------------|
| ABACUS MILLER STREET HOLDING TRUST            |                 |                 |
| Current assets                                | -               | 62,214          |
| Current liabilities                           | -               | (35,682)        |
| <b>Net current assets</b>                     | <b>-</b>        | <b>26,532</b>   |
| Non-current assets                            | -               | -               |
| Non-current liabilities                       | -               | (20,348)        |
| <b>Net non-current assets</b>                 | <b>-</b>        | <b>(20,348)</b> |
| <b>Net assets</b>                             | <b>-</b>        | <b>6,184</b>    |
| ABACUS WODONGA LAND FUND                      |                 |                 |
| Current assets                                | 11,513          | 10,978          |
| Current liabilities                           | (550)           | (173)           |
| <b>Net current assets</b>                     | <b>10,963</b>   | <b>10,805</b>   |
| Non-current assets                            | 24,623          | 21,084          |
| Non-current liabilities                       | (41,864)        | (48,053)        |
| <b>Net non-current assets</b>                 | <b>(17,241)</b> | <b>(26,969)</b> |
| <b>Net deficiency</b>                         | <b>(6,278)</b>  | <b>(16,164)</b> |
| Summarised statement of comprehensive income  |                 |                 |
| ABACUS HOSPITALITY FUND                       |                 |                 |
| Revenue                                       | 52,004          | 52,674          |
| <b>Profit / (loss) before income tax</b>      | <b>(4,580)</b>  | <b>628</b>      |
| Income tax expense                            | (209)           | (891)           |
| <b>Profit / (loss) after tax</b>              | <b>(4,789)</b>  | <b>(263)</b>    |
| Other comprehensive income                    | 622             | (5,372)         |
| <b>Total comprehensive income</b>             | <b>(4,167)</b>  | <b>(5,635)</b>  |
| ABACUS MILLER STREET HOLDING TRUST            |                 |                 |
| Revenue                                       | 4,436           | 3,743           |
| <b>Profit / (loss) before income tax</b>      | <b>654</b>      | <b>(637)</b>    |
| Income tax expense                            | -               | -               |
| <b>Profit / (loss) after tax</b>              | <b>654</b>      | <b>(637)</b>    |
| Other comprehensive income                    | -               | -               |
| <b>Total comprehensive income / (expense)</b> | <b>654</b>      | <b>(637)</b>    |

## 25. INTEREST IN SUBSIDIARIES (CONTINUED)

### (b) Summarised financial information about subsidiaries with material NCI (continued)

Summarised statement of comprehensive income (continued)

|                                   | 2014<br>\$'000 | 2013<br>\$'000 |
|-----------------------------------|----------------|----------------|
| ABACUS WODONGA LAND FUND          |                |                |
| Revenue                           | 20,982         | -              |
| <b>Profit before income tax</b>   | <b>9,885</b>   | <b>-</b>       |
| Income tax expense                | -              | -              |
| <b>Profit after tax</b>           | <b>9,885</b>   | <b>-</b>       |
| Other comprehensive income        | -              | -              |
| <b>Total comprehensive income</b> | <b>9,885</b>   | <b>-</b>       |

## 26. RELATED PARTY DISCLOSURES

### (a) Subsidiaries

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

| ENTITY                                                           | EQUITY INTEREST |           |
|------------------------------------------------------------------|-----------------|-----------|
|                                                                  | 2014<br>%       | 2013<br>% |
| <b><i>Abacus Group Holdings Limited and its subsidiaries</i></b> |                 |           |
| Abacus AAVT Pty Ltd                                              | -               | 100       |
| Abacus Airways NZ Trust                                          | 100             | 100       |
| Abacus Castle Hill Trust                                         | 100             | 100       |
| Abacus CIH Pty Ltd                                               | -               | 100       |
| Abacus Cobar Trust                                               | 100             | -         |
| Abacus Finance Pty Limited                                       | 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 Wasjig 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 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 Summit Trust                                              | 100             | -         |
| Abacus Unitel Pty Ltd                                            | -               | 100       |
| Abacus Unitel Trust                                              | -               | 100       |
| Abacus Wodonga Land Commercial Trust                             | 100             | 100       |
| Amiga Pty Limited                                                | 100             | 100       |
| Bay Street Brighton Unit Trust                                   | 100             | 100       |
| Clarendon Property Investments Pty Ltd                           | 100             | 100       |
| Corporate Helpers Pty Ltd                                        | 100             | 100       |
| Main Street Pakenham Unit Trust                                  | 100             | 100       |
| <b><i>Abacus Group Projects Limited and its subsidiaries</i></b> |                 |           |
| Abacus Property Pty Ltd                                          | 100             | 100       |
| Abacus Allara Street Trust*                                      | 50              | 50        |
| Abacus Wasjig Holdings Pty Limited*                              | 50              | 50        |
| Abacus Repository Trust*                                         | 50              | 50        |
| Abacus Ventures Trust*                                           | 51              | 51        |

\* These entities are wholly owned by Abacus.

## 26. RELATED PARTY DISCLOSURES (CONTINUED)

### (a) Subsidiaries (continued)

| ENTITY                                                  | EQUITY INTEREST |           |
|---------------------------------------------------------|-----------------|-----------|
|                                                         | 2014<br>%       | 2013<br>% |
| <b><i>Abacus Trust and its subsidiaries:</i></b>        |                 |           |
| 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 Aspley Village Trust                             | 100             | 33        |
| Abacus Australian Aggregation Holding Trust             | 100             | 100       |
| Abacus Australis Drive Trust                            | 100             | -         |
| Abacus Bacchus Marsh Trust                              | 100             | -         |
| Abacus Birkenhead Point Trust                           | 100             | 100       |
| Abacus Browns Road Trust                                | 100             | 100       |
| Abacus Campbell Property Trust                          | 100             | 100       |
| Abacus Greenacre 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 Miller Street Trust                              | 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*                  | 24              | 24        |
| 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                          | 100             | 100       |
| Abacus 33 Queen Street Trust                            | 100             | 100       |
| <b><i>Abacus Income Trust and its subsidiaries:</i></b> |                 |           |
| Abacus Campbellfield Trust                              | -               | 100       |
| Abacus Eagle Farm Trust                                 | 100             | 100       |
| Abacus Independent Retail Property Trust                | 75              | 75        |
| Abacus Lennons Plaza Trust                              | -               | 100       |
| Abacus Retail Property Trust                            | 100             | 100       |
| Abacus Wollongong Property Trust                        | 100             | 100       |

\* These entities are wholly owned by Abacus.

## 26. RELATED PARTY DISCLOSURES (CONTINUED)

### (a) Subsidiaries (continued)

| ENTITY                                                         | EQUITY INTEREST |           |
|----------------------------------------------------------------|-----------------|-----------|
|                                                                | 2014<br>%       | 2013<br>% |
| <b>Abacus Storage Operations Limited and its subsidiaries:</b> |                 |           |
| Balmain Storage Pty Limited                                    | 100             | 100       |
| Abacus Storage (Bulleen and Greensborough) Pty Limited         | -               | 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       |
| <b>Abacus Storage Property Trust and its subsidiary:</b>       |                 |           |
| Abacus Storage NZ Property Trust                               | 100             | 100       |
| Abacus Diversified Income Fund II                              | -               | -         |
| Abacus Hospitality Fund                                        | 10              | 10        |
| Abacus Miller Street Holding Trust                             | 30              | 30        |
| Abacus Wodonga Land Fund                                       | 15              | 15        |

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

**Abacus Hospitality Fund:** The Group is deemed 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:** The Group is deemed to have control of ADIF II due to (a) the Group's role as responsible entity of ADIF II (b) the size and variable nature of returns arising from the Group's loans to ADIF II (as the Abacus Working Capital Facility provided by the Group to ADIF II 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 ADIF II under the ADIF II offer documents.

**Abacus Miller Street Holding Trust:** The Group is deemed 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.

**Abacus Wodonga Land Fund:** The Group is deemed to have control of AWLF due to a) the Group's role as responsible entity of AWLF (waiving of fees) and (b) the Group's 15% 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 KMP are disclosed in Note 28.

## 26. RELATED PARTY DISCLOSURES (CONTINUED)

### (d) Transactions with related parties

|                                                                                   | 2014<br>\$'000 | 2013<br>\$'000 |
|-----------------------------------------------------------------------------------|----------------|----------------|
| <b>Transactions with related parties other than associates and joint ventures</b> |                |                |
| <b>Revenues</b>                                                                   |                |                |
| Property management fees received / receivable                                    | 162            | 169            |
| <b>Transactions with associates and joint ventures</b>                            |                |                |
| <b>Revenues</b>                                                                   |                |                |
| Management fees received / receivable from joint ventures                         | 2,040          | 2,019          |
| Management fees received / receivable from associates                             | 88             | 279            |
| Distributions received / receivable from joint ventures                           | 1,769          | 6,466          |
| Interest revenue from joint ventures                                              | 1,110          | 1,352          |
| <b>Other transactions</b>                                                         |                |                |
| Loan advanced to joint ventures                                                   | (21,838)       | (3,461)        |
| Loan repayments from joint ventures                                               | 6,224          | -              |
| Loan advanced from joint ventures                                                 | 2,201          | 2,083          |
| Loan repayments to joint ventures                                                 | (4,000)        | -              |
| Purchase of property from associates                                              | -              | 6,345          |

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.

#### **Entity with significant influence**

Calculator Australia Pty Ltd ("Kirsh") is a significant securityholder in the Group with a holding of approximately 49% of the ordinary securities of the Group (2013: 47%).

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 | 662,249 |
| 14 Martin Place                  | Tenants in common       | 3% of gross rental | 294,969 |
| 4 Martin Place                   | 100% owned by Kirsh     | 3% of gross rental | 162,281 |
| Birkenhead Point Marina Pty Ltd  | Joint Venture           | 3% of gross rental | 52,826  |

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 | 427,858 |

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

## 27. CONSOLIDATION OF ABACUS WODONGA LAND FUND

On 30 June 2013, the Group consolidated Abacus Wodonga Land Fund in application of AASB 10 Consolidated Financial Statements. This is due to the combination of APG's role as responsible entity and variable returns arising from its equity and loan investments in this fund. A loss on consolidation was incurred of \$18.9 million.

The fair value of the net assets of Abacus Wodonga Land Fund at the date of consolidation are set out below:

|                                       | 2013<br>\$'000 |
|---------------------------------------|----------------|
| <b>CURRENT ASSETS</b>                 |                |
| Cash and cash equivalents             | 2,042          |
| Trade and other receivables           | 428            |
| Inventory                             | 7,763          |
| <b>TOTAL CURRENT ASSETS</b>           | <b>10,233</b>  |
| <b>NON-CURRENT ASSETS</b>             |                |
| Inventory                             | 19,037         |
| Property, plant and equipment         | 13             |
| <b>TOTAL NON-CURRENT ASSETS</b>       | <b>19,050</b>  |
| <b>TOTAL ASSETS</b>                   | <b>29,283</b>  |
| <b>CURRENT LIABILITIES</b>            |                |
| Trade and other payables              | 174            |
| <b>TOTAL CURRENT LIABILITIES</b>      | <b>174</b>     |
| <b>NON-CURRENT LIABILITIES</b>        |                |
| Interest-bearing loans and borrowings | 6,657          |
| Related party loans                   | 19,495         |
| Derivatives at fair value             | 2,957          |
| <b>TOTAL NON-CURRENT LIABILITIES</b>  | <b>29,109</b>  |
| <b>TOTAL LIABILITIES</b>              | <b>29,283</b>  |
| <b>NET ASSETS</b>                     | <b>-</b>       |

## 28. KEY MANAGEMENT PERSONNEL

### (a) Compensation for key management personnel

|                              | 2014<br>\$'000   | 2013<br>\$'000   |
|------------------------------|------------------|------------------|
| Short-term employee benefits | 6,481,824        | 6,319,507        |
| Post-employment benefits     | 275,208          | 262,650          |
| Other long-term benefits     | 82,540           | 148,886          |
| Security-based payments      | 907,735          | 880,297          |
|                              | <b>7,747,307</b> | <b>7,611,340</b> |

### b) Loans to key management personnel

There were no loans to key management personnel and their related parties at any time in 2014 or in the prior year.

### (c) Other transactions and balances with key management personnel and their related parties

During the financial year, transactions occurred 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:

|                                                          | 2014<br>\$'000 | 2013<br>\$'000 |
|----------------------------------------------------------|----------------|----------------|
| Expense arising from equity-settled payment transactions | 1,242          | 1,168          |

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

#### *Security Acquisition Rights (SARs)*

The deferred variable incentive plan has been designed to align the interests of executives with those of securityholders by providing for a significant portion of the remuneration of participating executives to be linked to the delivery of sustainable underlying profit that covers the distribution level implicit in the Group's security price.

Key executives have been allocated SARs in the current financial year generally equal to the last current variable incentive paid. Allocations were based on the performance assessment completed in determining current variable incentive awards for the prior financial year, adjusted to take into account other factors that the Board considers specifically relevant to the purpose of providing deferred variable incentives.

The SARs granted during the year vest as follows:

| VESTING DATE   | AMOUNT VESTED*                   | POTENTIAL<br>NUMBER TO VEST |
|----------------|----------------------------------|-----------------------------|
| September 2014 | One quarter of the initial issue | 224,966                     |
| September 2015 | One quarter of the initial issue | 224,966                     |
| September 2016 | One quarter of the initial issue | 224,966                     |
| September 2017 | One quarter of the initial issue | 224,966                     |

\* The Board is able to claw back unvested SARs if the distribution level fails by more than 10% below the sustainable annual distribution rate.

For valuation purposes the SARs are equivalent to European call options (in that they may be "exercised" only at their maturity (i.e. vesting date)). The fair value of the SARs granted is estimated at the date of the grant using a trinomial tree model (using 500 steps) cross checked by a modified Black-Scholes model. The trinomial tree model and the Black-Scholes model generally produce the same values for an option over a non-dividend paying share, or where the option is entitled to the same distributions as are paid on the underlying security, as is assumed in this case, and if the time to exercise is the same, (i.e. at the end of the term).

When SARs vest they will convert into ABP securities on a one for one basis or at the Board's discretion a cash equivalent amount will be paid.

## 29. SECURITY BASED PAYMENTS (CONTINUED)

### (c) Summary of SARs granted

The following table illustrates movements in SARs during this year:

|                                           | 2014<br>NO.      | 2013<br>NO.    |
|-------------------------------------------|------------------|----------------|
| Opening balance                           | 929,252          | -              |
| Granted during the year                   | 899,864          | 929,252        |
| Cancelled during the year                 | (232,313)        | -              |
| <b>Outstanding at the end of the year</b> | <b>1,596,803</b> | <b>929,252</b> |

### Exercisable at the end of the year

- -

The weighted average remaining life of the instrument at 30 June 2014 was 1.5 years (2013: 1.8 years) and the weighted average fair value of the SARs granted during the year was \$1.98 (2013: \$2.41).

The following table lists the inputs to the model used for the SARs plan for the years ended 30 June 2014 and 30 June 2013:

|                             | 2014        | 2013        |
|-----------------------------|-------------|-------------|
| Expected volatility (%)     | 20          | 20 - 25     |
| Risk-free interest rate (%) | 2.47 - 3.20 | 2.55 - 2.67 |
| Life of instrument (years)  | 0.8 - 3.8   | 0.3 - 3.3   |
| Model used                  | Trinomial   | Trinomial   |

The expected life of the SARs is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the SARs is indicative of future trends, which may not necessarily be the actual outcome.

### 30. OTHER FINANCIAL LIABILITIES

#### Abacus\*

The Group has provided the following guarantees to the ADIF II unitholders:

| UNIT TYPE               | CASH DISTRIBUTION YIELD GUARANTEE                                                      | CAPITAL RETURN GUARANTEE                                          |
|-------------------------|----------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Class A \$1.00 – Term 1 | 7.25% pa                                                                               | \$1.00 per unit on 30 September 2014.                             |
| Class A \$1.00 – Term 2 | 7.50% pa                                                                               | \$1.00 per unit on 30 September 2015.                             |
| Class A \$1.00 – Term 3 | 7.75% pa                                                                               | \$1.00 per unit on 30 September 2016.                             |
| Class B \$1.00          | 9% pa plus indexation (indexed in line with inflation in each year after 1 July 2011). | \$1.00 per Unit at Fund termination (no later than 30 June 2017). |
| Class C \$0.75          | 9% pa plus indexation (indexed in line with inflation in each year after 1 July 2011). | \$0.75 per Unit at Fund termination (no later than 30 June 2017). |

The Underwritten Distributions will be achieved by deferring the interest on the Working Capital Facility or by deferring any of the fees payable to Abacus under the constitution of ADIF II (or a combination of these things) or in any other way Abacus 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 ADIF II units on issue on or after 1 July 2016 (Class B and C) and on the dates stated above for Term 1, 2 and 3 of Class A. At the relevant time Abacus will ensure that each holder of Class A and 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 will be satisfied by a payment in cash or by Abacus issuing ABP stapled securities.

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 ADIF II 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 ADIF II under AASB10 the underwritten capital guarantee results in ADIF II's units on issue being classified as a liability and at the end of the period the value was \$47.1 million (30 June 2013: \$56.3 million). The original Class A guarantee was satisfied on 30 September 2013 by the payment of \$9.1 million.

The offer document for ADIF II was closed in December 2011 and no further equity will be raised. The guarantee exposure on Class A units in Term 1 of \$1.1 million will be paid on 30 September 2014 and the balance of the guarantee exposure will be determined at the termination dates of Terms 2 and 3 for Class A units and 30 June 2017 for Class B and Class C units.

\* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust, Abacus Wodonga Land Fund.

## 31. COMMITMENTS AND CONTINGENCIES

### Abacus\*

#### (a) 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 leases as at 30 June 2014 are as follows:

|                                             | 2014<br>\$'000 | 2013<br>\$'000 |
|---------------------------------------------|----------------|----------------|
| Within one year                             | 967            | 930            |
| After one year but not more than five years | 2,052          | 2,813          |
| More than five years                        | -              | 471            |
|                                             | <b>3,019</b>   | <b>4,214</b>   |

#### (b) Operating lease commitments – Group as lessor

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2014 are as follows:

|                                             | 2014<br>\$'000 | 2013<br>\$'000 |
|---------------------------------------------|----------------|----------------|
| Within one year                             | 92,576         | 91,579         |
| After one year but not more than five years | 206,546        | 210,783        |
| More than five years                        | 88,309         | 74,248         |
|                                             | <b>387,431</b> | <b>376,610</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.

#### (c) Capital and Other commitments

At 30 June 2014 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:

|                                                        | 2014<br>\$'000 | 2013<br>\$'000 |
|--------------------------------------------------------|----------------|----------------|
| Within one year                                        |                |                |
| - gross settlement of property acquisitions            | 17,486         | 44,294         |
| - property refurbishment costs                         | 4,700          | 2,630          |
| - property development costs                           | 14,271         | 9,352          |
| - unused portion of loan facilities to outside parties | 7,139          | 3,807          |
|                                                        | <b>43,596</b>  | <b>60,083</b>  |

\* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust, Abacus Wodonga Land Fund.

### 31. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### (d) 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.

|                                | 2014<br>\$'000 | 2013<br>\$'000 |
|--------------------------------|----------------|----------------|
| <b>Contingent liabilities:</b> |                |                |
| Within one year                |                |                |
| - corporate guarantee          | 3,035          | 5,060          |
|                                | <b>3,035</b>   | <b>5,060</b>   |

#### Abacus Diversified Income Fund II

##### (a) Operating lease commitments – Group as lessor

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2014 are as follows:

|                                             | 2014<br>\$'000 | 2013<br>\$'000 |
|---------------------------------------------|----------------|----------------|
| Within one year                             | 9,643          | 13,025         |
| After one year but not more than five years | 21,788         | 32,579         |
| More than five years                        | 8,875          | 8,744          |
|                                             | <b>40,306</b>  | <b>54,348</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.

##### (b) Capital and Other commitments

|                                | 2014<br>\$'000 | 2013<br>\$'000 |
|--------------------------------|----------------|----------------|
| Within one year                |                |                |
| - property refurbishment costs | 3,056          | 2,161          |
|                                | <b>3,056</b>   | <b>2,161</b>   |

#### Abacus Miller Street Holding Trust

##### (a) Operating lease commitments – Group as lessor

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2014 are as follows:

|                                             | 2014<br>\$'000 | 2013<br>\$'000 |
|---------------------------------------------|----------------|----------------|
| Within one year                             | -              | 4,702          |
| After one year but not more than five years | -              | 17,768         |
| More than five years                        | -              | 171            |
|                                             | <b>-</b>       | <b>22,641</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.

### 31. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### Abacus Wodonga Land Fund

##### (a) Capital and other commitments

|                              | 2014<br>\$'000 | 2013<br>\$'000 |
|------------------------------|----------------|----------------|
| Within one year              |                |                |
| - property development costs | 2,440          | 1,130          |
|                              | <b>2,440</b>   | <b>1,130</b>   |

### 32. AUDITOR'S REMUNERATION

|                                                                                                 | 2014<br>\$'000   | 2013<br>\$'000   |
|-------------------------------------------------------------------------------------------------|------------------|------------------|
| 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 group | 1,030,607        | 977,390          |
| - Other services in relation to the entity and any other entity in the consolidated group       |                  |                  |
| - other assurance services                                                                      | 79,300           | 76,600           |
|                                                                                                 | <b>1,109,907</b> | <b>1,053,990</b> |

### 33. EVENTS AFTER BALANCE SHEET DATE

Other than as disclosed in this report, there has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, 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.

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## DIRECTOR'S DECLARATION

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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 2014 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 2014.

On behalf of the Board



**John Thame**  
**Chairman**  
Sydney, 28 August 2014



**Frank Wolf**  
**Managing Director**



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## 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 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

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

### *Auditor's responsibility*

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

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

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

### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which follows the directors' report. In addition to our audit of the financial report, we were

engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

### **Opinion**

In our opinion:

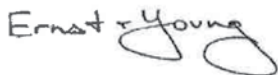
- a. the financial report of Abacus Group Holdings Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii complying with 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 17 to 32 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Kathy Parsons  
Partner  
Sydney  
28 August 2014

# 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 About Abacus tab on the Abacus website at [www.abacusproperty.com.au](http://www.abacusproperty.com.au).

## **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 four non-executive directors. The majority of the Board (Messrs Thame, Irving and Bartlett) are independent members. The board has determined that an independent director is one who:

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

No 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 45 and 46.

#### 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 Remuneration and Nomination 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 46.

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 Remuneration and Nomination 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 40% of Abacus' employees are women. Abacus has female representation at both the Board (20%) and senior management (26%) 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.

#### **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 40% 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 (20%) and senior management (26%) 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 46. 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.

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

### **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.

Independent consultants are engaged on an ad hoc basis who review business processes and undertake formal assessments throughout the year. These assessments are provided to the Audit and Risk Committee for review.

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

The risk management framework is formally reviewed annually. This review is initially carried out by the Compliance and Risk Manager and then reviewed by the Audit and Risk Committee and the Board to assess any necessary changes.

### ***Recommendation 7.3***

The Managing Director and Chief Financial Officer confirm in writing to the Board that the financial statements present a true and fair view and that this statement is based on a sound system of risk management and internal compliance.

The statement also confirms that the statement is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

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

### ***Recommendation 8.1***

The board has established a Nomination and Remuneration Committee.

The Remuneration and Nomination 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 Remuneration and Nomination 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 Remuneration and Nomination 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 46.

Non-executive directors are paid fees for their service and do not participate in other benefits (with the exception of Group travel insurance cover) 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 27 August 2014.

|                                                                                                                                                                                                                                          |                                                                                           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Number of holders of ordinary fully paid stapled securities                                                                                                                                                                              | 8,728                                                                                     |
| 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                                                                                                                                        | 962                                                                                       |
| 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>+61 2 9253 8600 |
| Registry                                                                                                                                                                                                                                 | Boardroom Pty Limited<br>Level 7, 207 Kent Street<br>Sydney NSW 2000<br>+61 2 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 | 252,981,605          |

## SECURITIES REGISTER

| NUMBER OF SECURITIES | NUMBER OF SECURITYHOLDERS |
|----------------------|---------------------------|
| 1-1,000              | 1,393                     |
| 1,001-5,000          | 3,019                     |
| 5,001-10,000         | 1,984                     |
| 10,001-100,000       | 2,252                     |
| 100,001-over         | 80                        |
| <b>Totals</b>        | <b>8,728</b>              |

## TOP 20 LARGEST SECURITYHOLDINGS

| HOLDER NAME                                                       | NUMBER OF<br>SECURITIES | % ISSUED SECURITIES |
|-------------------------------------------------------------------|-------------------------|---------------------|
| CITICORP NOMINEES PTY LIMITED                                     | 182,065,675             | 35.391              |
| J P MORGAN NOMINEES AUSTRALIA LIMITED                             | 55,004,776              | 10.692              |
| CALCULATOR AUSTRALIA PTY LIMITED <CALCULATOR AUSTRALIA A/C>       | 45,072,413              | 8.761               |
| CALCULATOR AUSTRALIA PTY LIMITED <CALCULATOR AUSTRALIA A/C>       | 44,322,630              | 8.616               |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                         | 41,726,217              | 8.111               |
| NATIONAL NOMINEES LIMITED                                         | 23,202,332              | 4.510               |
| BNP PARIBAS NOMS PTY LTD <DRP>                                    | 9,531,467               | 1.853               |
| RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <APN A/C>    | 6,705,785               | 1.303               |
| RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C> | 5,095,784               | 0.991               |
| CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>      | 3,559,538               | 0.692               |
| BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>            | 2,351,436               | 0.457               |
| QUOTIDIAN NO 2 PTY LIMITED                                        | 2,295,086               | 0.446               |
| AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>               | 2,208,731               | 0.429               |
| PLUTEUS (NO 164) PTY LIMITED                                      | 1,491,379               | 0.290               |
| F M WOLF PTY LIMITED                                              | 1,279,360               | 0.249               |
| NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C> | 1,204,870               | 0.234               |
| NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>                 | 1,051,163               | 0.204               |
| AMP LIFE LIMITED                                                  | 870,370                 | 0.169               |
| UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD                  | 677,020                 | 0.132               |
| BOND STREET CUSTODIANS LIMITED <ENH PROPERTY SECURITIES A/C>      | 631,001                 | 0.123               |

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