

# Abacus Wodonga Land Fund and Abacus Wodonga Mortgage Fund

Disclosure statement: ASIC Regulatory Guides 45 and 46

# Abacus Wodonga Land Fund/Abacus Wodonga Mortgage Fund

## DISCLOSURE OF INFORMATION

The Australian Securities and Investments Commission has developed eight specific disclosure principles for unlisted property trusts and eight benchmarks for unlisted mortgage trusts to assist retail investors to understand and compare risks across schemes.

Under a product disclosure statement dated 29 June 2005, investors subscribed \$10 million to the Abacus Wodonga Land Fund (**AWLF**) and \$10 million to the Abacus Wodonga Mortgage Fund (**AWMF**). For every \$1.00 subscribed, investors received one 50 cent unit in each fund. Hence, the AWLF and AWMF have exactly the same investors.

The \$10 million raised by the AWMF was loaned to the AWLF, secured by a third mortgage.

The following information on the funds is based on the 30 June 2009 audited financial statements, which are available through the Wodonga page on the Abacus website at [www.abacusproperty.com.au](http://www.abacusproperty.com.au).

### ABACUS WODONGA LAND FUND

#### 1. Gearing ratio

The gearing ratio indicates the extent to which a scheme's assets are funded by interest bearing liabilities.

Gearing enhances the potential for capital gain if properties increase in value. However, it may also increase any capital loss in the event that the value of the properties fall compared to an investment which has no borrowings. A higher gearing ratio implies a greater risk.

	ACTUAL AS AT 30 JUNE 2009	PRO FORMA AS AT 30 JUNE 2009
Gearing ratio	0.88	0.71

The actual gearing ratio at 30 June 2009 includes bank debt, borrowings provided by Abacus Finance Pty Limited and by AWMF. The pro forma gearing ratio excludes the borrowings from AWMF of \$10 million at 30 June 2009.

Only the pro forma ratio is relevant as the investors in AWLF and AWMF are identical.

#### 2. Interest cover

Interest cover measures the ability of the scheme to service interest on debt from earnings. Interest cover is not an appropriate measure for most development projects.

The AWLF is undertaking a development project and in the year to 30 June 2009 recorded an underlying profit after tax of approximately \$3.5 million. Interest on borrowings is being capitalised - that is, it is being added to total borrowings. There is no interest cover covenant in AWLF's banking facilities.

### 3. Scheme borrowing

Borrowing maturity and credit facility expiry profiles indicate when a scheme will have to renew borrowing or credit facilities.

The AWLF's facilities include a bank facility of \$32,000,000, the Abacus Finance facility of \$30,000,000 and AWMF facility of \$10,000,000.

AT 30 JUNE 2009	TOTAL FACILITY LIMIT	AMOUNT DRAWN	AMOUNT UNDRAWN
Due within one year	\$72,000,000	\$51,570,000	\$20,430,000
Due within two years			
Due within three years	-	-	-
Due within four years	-	-	-
Due within five years	-	-	-
Due after five years	-	-	-

The bank loan is repayable in June 2010 and at 30 June 2009 was drawn to \$18,709,000. The bank loan facility had an maximum limit of \$32 million but this facility has been re-paid to its current drawn balance from the proceeds of sale of land. The AWLF is unable to re-draw under the bank facility other for than interest capitalisation. The AWLF has entered into a ten year extendable interest rate swap for \$20,000,000 at an effective interest rate (including bank margin) of 9.55% per annum. The base rate may be extended for a further eight years at the option of the bank. A lender has no obligation to roll over a loan at the end of the loan term. There is no guarantee that future loan funds will be secured, or be secured at competitive interest rates at the time that the AWLF's debt facilities are to be refinanced.

The bank loan has a loan covenant test which requires AWLF to settle at least 18 land sales each quarter.

The Abacus Finance Facility was drawn to \$22,263,000 at 30 June 2009 and is to be repaid by May 2010. It has a fixed rate of interest of 14% pa. The Fund obtained a letter of support from Abacus Property Group that it will not request repayment of this loan for a period of 12 months from 24 September 2009.

The AWMF was drawn to \$10,000,000 plus accrued interest of \$598,000 at 30 June 2009 and is to be repaid by 31 May 2010. It has a fixed rate of interest of 12% pa. The unitholders in AWMF are the same as the unitholders in AWLF.

If the AWLF were to be wound up, amounts owing to external lenders and other creditors of a scheme rank before an investor's interest in the scheme.

### 4. Portfolio diversification

The AWLF originally owned 173 hectares of land 3 kilometres from the centre of Wodonga in Victoria. Since August 2008 land has been sold for commercial use, residential housing and public open space. The land, known as White Box Rise, is a mixed use development comprising over 1,000 residential lots, school, aquatic centre, retirement village and shopping complex. While the AWLF owns a single property, the land value is spread across a number of possible uses. At 30 June 2009 AWLF has developed approximately 100 residential lots that are available for sale, with subsequent lots to be developed when demand exists.

The AWLF does not invest in unlisted property securities.

### 5. Valuation policy

The property is valued at the lower of cost (including acquisition costs, such as stamp duty, GST, legal and professional fees, and development costs, including capitalised finance costs) and net realisable

value in accordance with accounting standards. At 30 June 2009 the carrying value of the property was \$54.5 million.

## **6. Related party transactions**

Abacus's policy on related party transactions is that transactions are required to be at arm's length or the financial benefit must be approved by securityholders.

Appropriate disclosure to unitholders is an essential element of Abacus's arrangements to manage conflicts of interest. This disclosure may be made through the scheme's offer document, annual report and/or the explanatory memorandum of any meeting of unitholders held to approve related party transactions. The Abacus compliance framework requires appropriate review of all controls applying to a fund at least annually.

The AWLF has loan facilities provided by Abacus Finance Pty Limited and AWMF. The terms of these loans are set out in Section 8 of the PDS dated 29 June 2005.

The AWLF pays management and other fees to Abacus Funds Management Limited. Details of all fees are set out in Section 8 of the PDS dated 29 June 2005.

## **7. Distribution practices**

As a development project, the AWLF's income is from the sale of property. Early in the life of the project, expenditure has exceeded revenue so no distributions have been paid and none are currently forecast.

Distributions are expected to be paid to unitholders from the proceeds of the sale of property once borrowings have been reduced.

## **8. Withdrawal arrangements**

The Fund does not have any withdrawal arrangements.

# **ABACUS WODONGA MORTGAGE FUND**

The AWMF is a 'contributory mortgage scheme' as defined by ASIC Regulatory Guide 45.

## **1. Liquidity**

This benchmark does not apply to the AWMF because it is a contributory mortgage scheme.

## **2. Scheme borrowing**

The AWMF has no borrowings.

## **3. Fund portfolio**

The AWMF has one loan valued at \$10 million. The loan is to the AWLF and is secured by a third mortgage over the development property at Wodonga in northern Victoria. The interest rate is 12% pa, paid six-monthly. The loan must be repaid by 31 May 2010.

## **4. Related party transactions**

Abacus's policy on related party transactions is that transactions are required to be at arm's length or the financial benefit must be approved by unitholders.

Appropriate disclosure to unitholders is an essential element of Abacus's arrangements to manage

conflicts of interest. This disclosure may be made through the scheme's product disclosure statement, annual report and/or the explanatory memorandum of any meeting of unitholders held to approve related party transactions.

The AWMF has loaned the AWLF \$10 million under the terms and conditions set out in the PDS dated 29 June 2005. The unitholders of both funds are identical.

All expenses of the AWMF are paid by the AWLF.

#### **5. Valuation policy**

As AWMF and AWLF have identical unitholders, valuations are unnecessary.

#### **6. Lending principles – loan to valuation ratios**

As above.

#### **7. Distribution practices**

The AWMF pays six-monthly distributions to unitholders that currently approximate 3 cents per six months.

The source of current and forecast distributions is realised income comprising interest income paid by the AWLF.

#### **8. Withdrawal arrangements**

The AWMF has no withdrawal arrangements. However, the loan must be repaid by 31 May 2010.

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27 November 2009

Prepared by Abacus Funds Management Limited ACN 007 415 590 AFSL 227819

Abacus intends to update these disclosures on a six-monthly basis through the Wodonga page on the Abacus website.

Investors are entitled to a hard copy of this information on request. Please call 1800 253 860 or email [enquiries@abacusproperty.com.au](mailto:enquiries@abacusproperty.com.au).