
ASX release

Abacus 2010 Annual Results

Key financial highlights

- Underlying profit* \$64.9 million
- Underlying earnings per security 3.90 cents
- AIFRS statutory profit attributed to securityholders of \$25.4 million
- FY10 distribution of 3.15 cents per security
- Group Gearing 22%

Abacus Group Holdings Limited

ACN 080 064 619

Abacus Group Projects Limited

ACN 104 066 104

Abacus Funds Management Limited

ACN 007 415 590

Abacus Property Services Pty Limited

ACN 050 739 001

Underlying profit of \$64.9 million for FY10

Abacus Property Group today announced a \$64.9 million underlying profit for the year ended 30 June 2010.

The underlying profit achieved was underpinned by recurring income from Abacus' property portfolio, property finance and funds management businesses. Recurring earnings increased by 9% to \$62 million from \$57 million in FY09. After taking into account non-cash fair value adjustments on the valuation of Abacus' investment properties and non recurring items, Abacus recorded an after tax statutory profit excluding minorities for the year of \$25.4 million.

The Group generated operating cash flows of \$64.6 million which adequately covered FY10 distributions of \$52.8 million.

Summary Profit and Loss Statement	30 June 2010
Statutory net profit attributed to securityholders	\$25.4m
Plus fair value adjustments on investments	\$25.3m
Plus fair value movement in derivatives	\$6.2m
Plus debt forgiveness as part of ADIF II restructure	\$4.9m
Plus impairment of intangibles	\$3.1m
Underlying profit	\$64.9m
Underlying earnings per security	3.90c
Distribution per security	3.15c

* Underlying profit and earnings per security have been calculated in accordance with the AICD / Finsia principles

As at 30 June 2010, Abacus had net assets of \$1,103 million, with net tangible assets per security of \$0.58.

Summary Balance Sheet	30 June 2010
Total Assets	\$1,505.3m
Interest Bearing Debt	\$351.1m
Other Liabilities	\$51.3m
Net Assets	\$1,102.9m
NTA per security	\$0.58
Gearing ¹	22.2%
Covenant Gearing ²	27.6%

1. Gearing is calculated as Debt less Cash/Total Assets less Cash

2. Covenant Gearing is calculated as Total Liabilities/Total Tangible Assets

Capital management

Abacus continues to improve its balance sheet and strengthen its financial position:

- raised over \$106 million from new and existing securityholders;
- sold a total of \$64 million of mature assets that no longer met investment objectives;

Recently, Abacus concluded refinance arrangements for new debt facilities totalling \$536 million to refinance its club facility (\$400 million), working capital facility (\$80 million) and its Metcash portfolio facility (\$56 million). The Group now has only \$13 million of debt expiring in FY11.

A new 3 year \$400 million syndicated bank debt facility has replaced Abacus' existing \$400 million club facility that was due to mature in February 2011. The facility was priced at 225bps over BBSY and incorporates essentially the same security and covenant package. The total gearing covenant has, however, been increased from 45% to 50% and the LVR test has been reduced from 55% to 50%.

Abacus has renewed its \$80 million working capital bank debt facility with ANZ for a further 3 years. This facility allows Abacus to borrow additional amounts on assets secured by the syndicated facility (ie up to an LVR of 65%). The covenant package for this facility has not changed in any material respect.

Abacus has also renewed its \$56 million facility secured by Abacus' portfolio of Metcash managed IGA supermarkets with ANZ for a further 5 years. The LVR of this facility will reduce from 65% to 50% in December 2010. The covenant package has not changed in any other material respect.

The average spread (cost of margin and line fees) of these three facilities, on a fully utilised basis, is less than 250bps. The weighted average term of these new facilities is 3.2 years. Abacus' undrawn aggregate capacity (across all facilities) is now over \$250 million and available liquidity¹ is approximately \$125 million.

Group gearing was maintained at approximately 22% and covenant gearing at 28% at 30 June 2010. Abacus now has the opportunity to progressively move towards our preferred group gearing range of 30 to 35% as we take advantage of further acquisition opportunities over the medium term.

¹ Facility able to be drawn against existing security at current valuations.

Operational review

Investment property portfolio

- Direct property investments of \$849 million
- Portfolio cap rate: 8.53%
- Occupancy 95%
- Annualised like for like rental growth 3.7%
- Weighted lease expiry profile 4.3 years.

The investment property portfolio delivered gross revenue of \$85 million and an EBITDA contribution of \$64 million. During the period Abacus has entered into new or renewed leases of approximately 55,000m² of space, while maintaining rental rates on new leases. This helped maintain a high occupancy of 95% from 90% at 30 June 2009.

60% of the investment portfolio was independently re-valued at 30 June 2010. The full year fair value adverse impact was approximately 2.0% or \$19 million. The weighted average portfolio cap rate remained unchanged at 8.53%. Abacus ensures all assets are independently revalued every 12 months.

Abacus continues in its efforts to re-weight the portfolio to larger higher quality assets through realisation of smaller assets with approximately \$64 million of assets sold during the period. The settlement of these assets has assisted Abacus' liquidity requirements and will help fund its most recent \$87 million acquisition of a 50% interest in Birkenhead Point Shopping Centre and Marina. Abacus acquired the centre in a strategic alliance with the Kirsh Group.

Birkenhead Point is a clear example of Abacus' core plus acquisition strategy of targeting larger scale assets that provide attractive ongoing rental income and embedded capital growth opportunities. The centre provides potential to improve occupancy through the leasing of refurbished vacant sites including the recently improved food court and an improved retail offer through the addition of mini-major retailers. In addition, the centre provides scope for a new council approved restaurant precinct, while the marina offers redevelopment opportunities including the addition of a fuel depot.

A clear validation of Abacus' core plus strategy was Abacus' post year end announcement of its sale of 343 George Street for \$78 million. This asset was originally acquired in July 2009 and settled in October 2009 for \$55 million and delivering an equity IRR in excess of 68%. Proceeds will further supplement the group's liquidity and support Abacus' acquisition strategy.

Joint ventures and developments

- \$136 million invested in 17 diverse joint venture projects
- \$59 million deployed across a number of co-investments.

The joint ventures and developments business generated \$4 million in EBITDA during the period. There was limited project realisation during the six months to June 2010. Projects are progressing well with a number due for realisation over the next 12 months:

- Cardinia Road, Pakenham, Victoria, a 54ha suburban development outside Melbourne has achieved 105 settlements over the last 6 months with an average sale price increase of over 11% to \$169,000 from the six months to 31 December 2009;
- Edgecliff on the Beach, Hampton, Victoria, a luxury four level apartment development in a unique waterfront location has achieved pre-sales of over 60 apartments. Settlements have begun with 3 townhouses settled since June and physical completion is anticipated during August and October 2010; and
- Colemans Road industrial development, Dandenong, Victoria had 5 lots sold with an average rate of \$163 m² and a further two under offer.

Property finance

- Loan book consists of 5 exposures totalling \$87.6 million
- Majority of loans secured by first mortgages

As at 30 June 2010, property finance assets reduced to \$88 million from \$146 million at 30 June 2009. Abacus has taken advantage of the current environment to restructure a number of loans during the year, to increase our participation in project profit. Abacus has also successfully recovered approximately \$19 million from the sale of its Mt Gravatt property which settled in May.

There were no impairments during the period.

Property Ventures

Effective 1 July 2010, joint ventures and developments and the property finance divisions merged to create a new property ventures division. The new division will have a combined \$283 million invested in 21 projects and a number of co-investments. It will have a significant weighting to urban infill residential land subdivisions that are evenly split between NSW and Victoria.

Funds management

Abacus has external assets under management of \$840 million. The funds management business contributed \$14 million to the Group's results, or \$19 million excluding non-recurring \$4.9 million ADIFII debt forgiveness.

Abacus has made good progress on a number of its restructuring strategies:

- ADIF II product restructured and new PDS issued; and
- sale of three Abacus Hospitality Fund hotels including \$90 million from the sale of Swissotel.

ADIF II inflows following access to approved dealer group platforms are encouraging. The product provides a capital and income protected offering for a risk adverse market and is now available to over 830 advisers via 10 national groups and five platforms.

Abacus has now dealt with the majority of refinancing in its managed funds. As at August 2010 Abacus had refinanced over \$262 million of debt including:

- new 3 year \$190 million facility maturing August 2013 for Abacus Storage Fund;
- new 3 year \$54 million facility maturing August 2012 completed in H110 for ADIF II Fund;
- new 2 year \$18 million facility maturing August 2012 for Abacus Wodonga Land Fund; and
- in receipt of term sheets from two banks for a new 3 year \$50 million facility for ADIF II with documentation and drawdown anticipated in September 2010.

Strategy and outlook

Abacus has delivered an underlying profit of almost \$65 million and earnings per security of 3.9c while importantly growing recurring earnings by over 9%. Recent re-financings have strengthened the balance sheet and provided an increase in liquidity. Abacus has detailed a clear strategy to increase its exposure to principal investments (70% of assets) and property ventures (30% of assets) which will drive increased recurring earnings and a steady pipeline of enhanced returns. The acquisition of a 50% interest in Birkenhead Point and the realisation of \$64 million of maturing assets illustrate the execution of this strategy with the sale in August 2010 of 343 George Street for \$78 million delivering further liquidity and an equity IRR of 68%.

Abacus Property Group's Managing Director Frank Wolf said "Abacus is the only core plus investor in the S&P/ASX 200 AREIT index and we are well positioned with an established portfolio of projects and properties to deliver an increase in recurring earnings and enhanced returns.

We have further strengthened the balance sheet following the refinancing of almost \$800 million of debt within Abacus and our managed funds with the majority of funds refinancing now complete. Abacus' debt maturity profile now extends beyond three years.

Despite this, Abacus continues to trade at a discount to NTA of approximately 30%. Following our capital management initiatives to strengthen the balance sheet and increase liquidity we will continue to work to reduce this discount as we access core plus acquisitions to deliver enhanced returns."

Further information

Further information on Abacus' full year results and an update on current operations are provided in the financial report and investor presentation.

27 August 2010

Ellis Varejes
Company Secretary

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Investor Relations Officer

Abacus Property Group
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