



abacus update may 2011



Welcome

Abacus has had a strong focus on enhancing value through the active management of its existing portfolio and a number of its projects during the period while also working patiently and diligently to maximise value of our assets under management. Abacus is pleased to note a number of successes:

- Sale of 343 George Street for \$78 million in September 2010. The transaction delivered a \$14 million transaction profit to the Group, an excellent return for investors.
- Abacus was also very active during the period, acquiring over \$400 million of high quality assets on behalf of ourself and our partners. Abacus believes these assets will secure earnings and drive distributions to investors.
- Obtained a number of development and zoning approvals across a number of projects in the property ventures business. These successes will unlock value and create liquidity for the Group.
- Stabilised a number of funds in the funds management platform to enhance those funds.



Abacus continues to maintain low gearing at 21%, although we anticipate moving to 27%-30% following the settlement of our recent acquisitions. This remains well within our target range of up to 35%. Abacus has a strong, secure and liquid balance sheet following the refinancing of its banking facilities during the period. The Group's average term to maturity of its bank debt was 2.6 years at 31 December 2010.

Abacus continues to believe that the market presents good buying with vendors' liquidity needs providing more attractive acquisition opportunities. We are actively pursuing these opportunities to underpin future profits and drive distributions.

Please visit the Abacus website at www.abacusproperty.com.au to obtain further information and to hear the webcast of our results announcement.

Abacus Diversified Income Fund II open for investment

With its unique structure and guaranteed minimum investment return of 9% pa indexed to CPI, the Abacus Diversified Income Fund II is achieving success with investors and their financial advisers.

The Fund is a fixed term investment (approx 6 years) and has minimum quarterly distributions paid to investors of 9% pa (indexed to CPI each year). At the end of the investment term, investors will receive at least their initial capital investment. Abacus Property Group underwrites both the minimum income return and capital return.

In summary, the Abacus Diversified Income Fund II delivers:

- A minimum 9% per annum yield paid quarterly.
- Automatic CPI indexation each year on the yield.
- High levels of tax deferral.
- Capital preservation and potential for capital growth.

There are no management fees until 110% of invested capital is returned.

Investors wanting to invest in the Fund or to find out more should speak to their financial adviser, call Abacus on **1800 253 860** or call our registry on **1300 139 440**.

Alternatively, you can find out more about ADIFII by looking at the Funds and Investments tab on our website at www.abacusproperty.com.au.



Abacus Distributions

We are pleased to confirm our targeted distribution for the six months to 30 June 2011 of 8.25cps. This brings the targeted FY11 distribution to 16.5 cps, representing a 5% increase on FY10 distributions.

Security Consolidation

At Abacus' annual general meeting in November 2010, securityholders approved the consolidation of the Group's securities on a 5 for 1 basis. You will have noticed that the number of securities you owned reduced to a fifth of your previous holding. Correspondingly, the security price increased to five times its previous value at the point of conversion.

The following example illustrates the change:

If you owned 10,000 Abacus securities on the day of conversion and the security price was \$0.40 per security, your invested market value was \$4,000. Post conversion your securities held reduced to 2,000 but the price increased to \$2.00 per security. This means that your invested market value remained the same at \$4,000.



14 Martin Place, Sydney

Significant leasing successes

In this financial year we have enjoyed significant achievements on a number of large leases in our property portfolio. Examples include:

Westpac House, Adelaide. We have agreed terms to extend the current lease with the South Australian Government to 2020 for over 10,000sqm. The property is one of Adelaide's prime office assets with over 31,000sqm of net lettable area. The occupancy is approaching 100% and the extended weighted lease expiry will increase to over 6 years. The Group owns half of this property.

51 Allara Street, Canberra. We also recently signed a new 10 year lease with a Government department for almost 80% of net lettable area. The new lease over 8,000sqm achieves 100% occupancy and has a weighted lease expiry of over 8 years. The property is located on a corner intersection within the core CBD government office precinct.

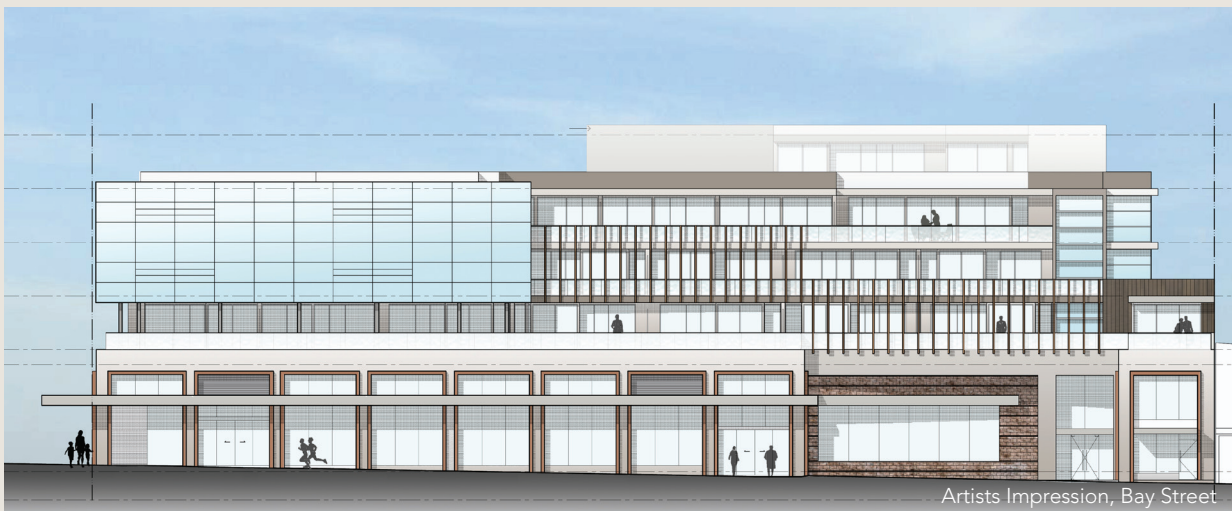


Westpac House, Adelaide

Bay Street - planning approval unlocks value

Abacus is making good progress with its property ventures. One of them, has recently received planning approval for the construction of a full line flagship Coles supermarket as well as 93 residential apartments. The site is located in the Bay Street Brighton retail strip, a fashionable shopping district in the leafy suburb of Bayside. It is located within 150m of the North Brighton railway station and sits among quality restaurants, cafes and boutiques. The approval has come at a good time as it has recently been reported that Brighton has become Melbourne's first suburb with an apartment median value over \$1 million. The apartment product in the development has been designed to appeal to downsizers in the area as well as professional couples and singles. The apartments sit over four levels and will have excellent views of Port Philip Bay and the city.

Construction is scheduled to commence early in the new financial year and will be completed in 2013. Marketing of the apartments will begin early in the new year.



Artists Impression, Bay Street

Birkenhead Point Shopping Centre and Marina - a unique retail asset

Birkenhead Point Shopping Centre and Marina was acquired by Abacus Property Group and the Kirsh Group in late 2010 for \$174 million and is one of the Group's largest properties. The centre is located in the inner city suburb of Drummoyne, Sydney NSW on the waterfront of Sydney Harbour.

The centre is in the final stages of a \$50 million redevelopment and refurbishment program that was commenced by the previous owner. This has significantly upgraded the property. The newly developed centre is designed to deliver an enhanced outlet shopping experience with a higher quality of retailer and an outstanding waterfront location which places Birkenhead Point in a class well above its peers. The centre will become the premium outlet centre in Sydney and will be further enhanced with a convenience based shopping offer. The impact of the redevelopment has started to reap rewards with the centre's moving annual turnover, the standard performance metric in the shopping centre industry that measures a centre's overall sales, increasing by 30% in the 12 months to December 2010. The moving annual turnover has continued to grow by approximately 7% on a month on month basis since then.

The centre now has an excellent selection of designer brands. Hugo Boss, Alannah Hill, Calvin Klein Jeans, Tommy Hilfiger, Orotan and Polo Ralph Lauren are just a few of the exciting retailers on show (and on sale) at Birkenhead Point. With the inclusion of these retailers and the outstanding location of the centre, Birkenhead Point is well positioned to be considered Sydney's premium designer outlet centre.

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