



Birkenhead Point Shopping Centre and Marina,  
Drummoyne, NSW

12 October 2010

## Dear Investor

This time last year I wrote to you following the extremely challenging times we all faced during the global financial crisis. While market conditions have remained challenging over the past year, Abacus has executed capital management initiatives and implemented real estate strategies that both strengthens Abacus and positions the Group to take advantage of a still recovering property market.

We stated last year that our short term strategy was to maintain a conservatively geared balance sheet through the devaluation cycle and focus on increasing occupancy in our investment portfolio. I am pleased to say that, as at 30 June 2010, we successfully maintained a very low gearing of approximately 22% and we achieved an increase in portfolio occupancy to 95%.

We also stated that we would continue to focus on acquiring properties that suit Abacus' core plus strategy to deliver enhanced returns while also focusing on realising the maturing assets on balance sheet that no longer meet the Group's investment objectives. This is evidenced by the recent sale of 343 George Street for \$78 million, the acquisition of a 50% interest in Birkenhead Point Shopping Centre and Marina for \$74 million and the sale of \$64 million of mature assets.

The Birkenhead Point acquisition demonstrates Abacus' core plus acquisition strategy of targeting larger scale assets that provide attractive ongoing rental income and embedded capital growth opportunities. The acquisition will settle in late October 2010, and the proceeds of recent sales of mature assets will be available to assist funding the acquisition. The centre provides potential to improve occupancy through the leasing of refurbished vacant areas including the recently improved food court and an improved retail offering 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.

The sale of the recently acquired property at 343 George Street is also a clear validation of Abacus' capital enhancement skills. This asset was originally acquired in July 2009 for \$55 million and its sale in

August 2010 follows a successful re-leasing strategy that transformed the asset. The sale has delivered an equity IRR of approximately 68%. Proceeds will further supplement the Group's liquidity and support its acquisition strategy.

Finally, Abacus recently concluded refinance arrangements for debt facilities totalling \$536 million. The refinancing continues to improve and strengthen our balance sheet extending the Group's debt maturity to over 3 years and the Group has only \$13 million of debt expiring in FY11. Abacus' undrawn aggregate capacity (across all facilities) is now over \$250 million and available liquidity is approximately \$125 million. Consequently Abacus now has the capacity 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.

## FY10 financial results

Abacus Property Group reported 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 (a significant improvement on the \$102.4m loss for FY09). The Group generated operating cash flows of \$64.6 million which adequately covered FY10 distributions of \$52.8 million.

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

## 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 FY10 Abacus entered into new or renewed leases of approximately 55,000m<sup>2</sup> of space, while maintaining rental rates on new leases. This resulted in occupancy of 95% as at 30 June 2010, a significant increase from 90% at 30 June 2009. Abacus ensures all assets are independently revalued every 12 months.

### 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 ADIF II debt forgiveness.

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:

- a 3 year \$190 million facility maturing August 2013 for Abacus Storage Fund;
- a 3 year \$54 million facility maturing August 2012 completed in H110 for ADIF II Fund; and
- a 2 year \$18 million facility maturing August 2012

for Abacus Wodonga Land Fund.

Abacus has term sheets from two banks for a new 3 year \$50 million facility for ADIF II with documentation and drawdown anticipated in September 2010.

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

- The sale of three Abacus Hospitality Fund hotels has been achieved including the sale of Swissotel, Sydney for \$90 million.
- ADIF II product restructured. 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

### 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 currently are evenly split between NSW and Victoria.



Westpac House, Adelaide, SA



Virginia Park, Bentleigh East, VIC

## Strategy and outlook

Abacus has delivered an underlying profit of almost \$65 million and earnings per security of 3.9c while growing recurring earnings by over 9%. Recent re-financings have strengthened the balance sheet and provided an increase in liquidity. Abacus has articulated 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 to support distribution to securityholders and a steady pipeline of enhanced returns.

We are pleased with the Group's progress during the last year and believe that with the initiatives and strategies employed has positioned Abacus well with an established portfolio of projects and properties to continue to deliver an increase in recurring earnings and enhanced returns.

The achievements during the year have been a result of the hard work and efforts of Managing Director Frank Wolf, his executive team and all of our staff at Abacus. On behalf of the Board, I would like to thank them all for their dedication and hard work this past 12 months.

Finally, and most importantly, I would like to thank all our investors for your continued support during what has been a difficult period for us all.

## Abacus AGM

I take pleasure in inviting you to the annual general meeting of Abacus Property Group to be held on Friday, 12 November 2010. The accompanying notice sets out the meeting details and the items of business. If you are unable to attend the meeting, please complete the enclosed proxy form and return it in the envelope provided or vote on-line by Wednesday, 10 November 2010. If you are attending the meeting, please bring your proxy form with you to assist with registration.

The meeting gives you an opportunity to ask questions about the Group's performance in 2010 and our current activities.

If you have not received a copy and would like the 2010 annual report, this is available through our website. You will find it under Investor Information at [www.abacusproperty.com.au](http://www.abacusproperty.com.au) or you can ask us to send a printed copy to you.

I hope to see you at the annual general meeting.

Yours faithfully



John Thame  
Chairman

## Corporate Directory

### Abacus Property Group

Abacus Group Holdings Limited

ABN: 31 080 604 619

Abacus Group Projects Limited

ABN: 11 104 066 104

Abacus Funds Management Limited

ABN: 66 007 415 590

### Registered Office

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### Custodian:

Perpetual Trustee Company

Limited

Level 12 Angel Place

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### Auditor:

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Ernst & Young Centre

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### Compliance Plan Auditor:

Ernst & Young

Ernst & Young Centre

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SYDNEY NSW 2000

### Share Registry:

Registries Limited

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