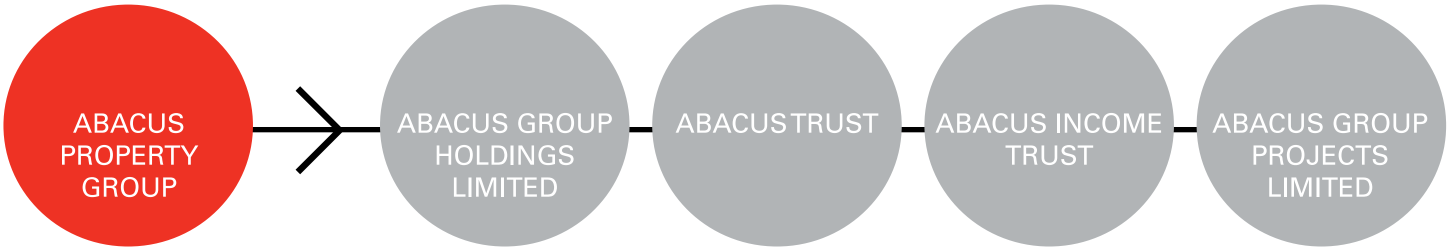
annual financial report 2006

Abacus
PROPERTY GROUP

abacus property group

At 30 June 2006, the Abacus Property Group (APG) comprised the Abacus Trust (AT), the Abacus Income Trust (AIT), Abacus Group Holdings Limited (AGHL) and Abacus Group Projects Limited (AGPL). A summary of the corporate structure is illustrated below:



AGHL has been identified as the parent entity for the purpose of producing a consolidated financial report for the APG. That is, the concise financial report for AGHL serves as a summary of the financial performance and position of APG as a whole. It consolidates the financial reports of AGHL, AT, AIT and AGPL and their controlled entities.

To comply with Australian reporting requirements, the concise financial reports of AT, AIT and AGPL are also provided.

CONTENTS

glossary

Abacus	Abacus Funds Management Limited, the responsible entity of the trusts
ADIF	Abacus Diversified Income Fund, made up of AIT and AGPL, which became part of APG on 31 March 2006
AGHL	Abacus Group Holdings Limited
AGPL	Abacus Group Projects Limited
AIT	Abacus Income Trust
APG	Abacus Property Group
AT	Abacus Trust

abacus property group

DIRECTORY

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Fax (02) 9253 8616
Website www.abacusproperty.com.au

Directors of Abacus
John Thame, Chairman
Frank Wolf, Deputy Chairman (executive)
David Bastian, Managing Director
Dennis Bluth
Phillip Green
Malcolm Irving

Directors of Abacus Group Holdings Limited
John Thame, Chairman
Frank Wolf, Deputy Chairman (executive)
David Bastian, Managing Director
Dennis Bluth
Phillip Green
Malcolm Irving
Len Lloyd

Company secretary
Sean O'Donoghue

Custodian
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apg

contents

It is recommended that this annual financial report be read in conjunction with the annual financial reports of Abacus Trust, Abacus Income Trust and Abacus Group Projects Limited for the year ended 30 June 2006. 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.

directors' report

The directors present their report together with the consolidated financial report of Abacus Group Holdings Limited (AGHL) and the auditor's report thereon.

AGHL has been identified as the parent entity of the group referred to as the Abacus Property Group (APG or the Group). The consolidated financial reports of AGHL for the year ended 30 June 2006 now comprise the consolidated financial reports of AGHL and its controlled entities, Abacus Trust and its controlled entities, Abacus Group Projects Limited and its controlled entity and Abacus Income Trust and its controlled entities.

DIRECTORS

The directors of AGHL in office during the financial year and until the date of this report are set out below:

John Thame	Chairman (non-executive)
Frank Wolf	Deputy Chairman (executive)
David Bastian	Managing Director (executive)
Dennis Bluth	non-executive
Phillip Green (resigned 1/9/06)	non-executive
Malcolm Irving	non-executive
Len Lloyd	executive

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the year ended 30 June 2006 include:

- investment in commercial, retail and industrial properties;
- property-related funds management and property syndication;
- property and project management;
- mortgage lending; and
- participation in other property-related activities and developments.

CORPORATE STRUCTURE

On 31 March 2006, APG implemented a merger with the previously unlisted Abacus Diversified Income Fund (ADIF). APG is now comprised of AGHL, Abacus Trust (AT), Abacus Group Projects Limited (AGPL) and Abacus Income Trust (AIT). Shares in AGHL and AGPL and units in AT and AIT have been stapled together so that none can be dealt with without the other. An APG security consists of one share in AGHL, one unit in AT, one share in AGPL and one unit in AIT. A transfer, issue or reorganisation of a share or unit in any of the component parts is accompanied by a transfer, issue or reorganisation of a share or unit in each of the other component parts.

AGHL and AGPL are companies that are incorporated and domiciled in Australia. AT and AIT are Australian registered managed investment schemes. Abacus Funds Management Limited (Abacus), the responsible entity of AT and AIT, is incorporated and domiciled in Australia and is a wholly owned subsidiary of AGHL.

The registered office and principal place of business of AGHL and Abacus is located at Level 34, Australia Square, 264-278 George Street, Sydney NSW 2000.

OPERATING PROFIT

APG earned a net profit attributable to securityholders of $101.2 million for the year ended 30 June 2006 (June 2005: $52.0 million).

APG earned a net profit attributable to securityholders (excluding net property and derivative financial instruments revaluation movements, net of related minority interests attributable thereto) of $54.0 million (June 2005: $39.9 million).

EARNINGS PER STAPLED SECURITY

	YEAR ENDED 30 JUNE 2006 CENTS	YEAR ENDED 30 JUNE 2005 CENTS
Basic and diluted earnings per stapled security	24.22	16.18
Basic and diluted earnings per stapled security (excluding revaluation movements in investment properties and derivative financial instruments, net of related minority interests attributable thereto)	12.92	12.42

DISTRIBUTIONS

The Group paid cash distributions to securityholders of $45.4 million (11.70 cents per unit) during the year ended 30 June 2006 (June 2005: $35.1 million; 11.50 cents per unit). In addition, a distribution of $15.5 million (3.0 cents per unit) was declared and provided for in respect of the quarter ended 30 June 2006.

The AT funded all distributions to securityholders for the year ended 30 June 2006.

The full year distribution of 11.80 cents per stapled security reflects a 3.5% increase over the full year distribution of 11.40 cents per stapled security for the year ended 30 June 2005.

Distributions were paid in respect of the year ended 30 June 2006 to securityholders as follows:

	CENTS	$'000
Interim distribution paid 10 November 2005	2.90	11,179
Interim distribution paid 10 February 2006	2.90	11,179
Interim distribution paid 10 May 2006	3.00	13,112
Final distribution paid 10 August 2006	3.00	15,491
Total	**11.80**	**50,961**

directors' report

REVIEW OF OPERATIONS

GROUP OVERVIEW

The Group principally operates within Australia (except for an investment of approximately $23 million in a hotel in New Zealand and an investment of approximately $2 million in a joint venture in the United Kingdom. The hotel was acquired as a seed asset of a new fund, the Abacus Hospitality Trust, which will be marketed in the next financial year). The Group holds an investment portfolio of commercial, retail and industrial properties, operates funds and property management businesses, holds mortgage loan investments and participates in development projects and other property-based investments.

OPERATING RESULTS FOR THE PERIOD

A summary of combined revenue and profits is as follows:

	YEAR ENDED 30 JUNE 2006	
Business segments	REVENUE $'000	PROFIT $'000
Property rental and sales[1]	87,480	101,230
Funds and property management	12,837	8,967
Other property-based investments	28,202	25,077
Hotel business	9,058	982
Combined entity adjustments	961	(34,396)
Combined entity revenue and operating profit	**138,538**	**101,860**

[1] profit includes net revaluation increment on investment properties

	YEAR ENDED 30 JUNE 2006	
Geographic segments	REVENUE $'000	PROFIT $'000
Australia	138,270	101,930
New Zealand	195	(106)
United Kingdom	73	36
Combined entity revenue and operating profit	**138,538**	**101,860**

During the financial year under review, APG achieved strong growth in all its key business activities. Excluding properties acquired through the merger with ADIF, over $530 million of property was acquired or has been contracted to be acquired.

MERGER WITH ABACUS DIVERSIFIED INCOME FUND

On 14 February 2006, securityholders in both the APG and ADIF (an unlisted fund managed by Abacus) agreed, by special resolution, to merge the two entities effective on 31 March 2006. On 20 February 2006, the Supreme Court of New South Wales gave orders that Abacus was justified in implementing the merger proposal.

The merger was implemented on 31 March 2006 and resulted in AGPL and AIT being listed on the ASX alongside AGHL and AT under a stapled security structure.

The net assets of ADIF as at 31 March were essentially aggregated with APG to form the expanded APG at that date. The key impacts on the Group's balance sheet resulting from the aggregation of ADIF as at 31 March 2006 were:

- total assets increased by $243.4 million;
- total liabilities increased by $144.1 million, including interest bearing liabilities of $137.2 million;
- net assets increased $99.3 million, net tangible assets increased $98.3 million;
- APG issued a further 79,309,591 stapled securities to effect the merger.

INVESTMENT PROPERTY PORTFOLIO

- With the merger of APG and ADIF on 31 March 2006, the Group added approximately $210 million of assets to its investment property portfolio (including hotel assets);
- The Group acquired ten additional properties for approximately $171 million, including:
  - a number of hotel assets including the Tradewinds Hotel & Resort in Cairns, the Twin Waters Resort on the Sunshine Coast in Queensland, and the Chateau on the Park Hotel in Christchurch, New Zealand. These assets have been acquired for approximately $122 million and it is intended that they will provide the seed assets for a new hospitality funds management vehicle. In addition, the Group acquired three small hotels in both Sydney and regional New South Wales for approximately $18 million (including rights and entitlements);
  - retail properties in Aspley, Brisbane and Midlands Central, Perth and two small retail properties adjoining Liverpool Plaza in Sydney for approximately $31 million;

The merger with ADIF and the other acquisitions noted above bring the value of the total investment property portfolio to over $740 million (including hotel and car park assets which have been classified as property, plant and equipment) at 30 June 2006;

- The Group has contracted to acquire five additional properties for approximately $147 million, including:
  - the Carlton Hotel in Auckland, New Zealand for approximately $79 million;
  - a bulky goods retail centre in Moorabbin, Victoria for approximately $37 million and a small regional shopping centre in Townsville, Queensland for approximately $7 million;
  - a 50% direct interest in a commercial office building in Adelaide, South Australia for approximately $5 million; and
  - a tract of industrial land in Dandenong, Victoria for approximately $19 million.
- The revaluation of 31 existing properties in the portfolio resulted in a net increase of $41 million in the carrying value of investment properties;
- In January 2006, the Group completed the sale of an investment property in Glebe, New South Wales realising a profit of approximately $2 million.
- Recurring net income from contracted rental receipts comprised approximately 55% of Group earnings before interest, tax, depreciation and amortisation for the year.

FUNDS MANAGEMENT

- In funds management, as responsible entity, the Group acquired or contracted to acquire over $270 million of property assets during the year and to the date of this report including:
  - Establishment of the Abacus Storage Fund in August 2005 with total assets of approximately $180 million at 30 June 2006.

    In August 2005, the Group completed the acquisition of an initial portfolio of storage facility assets totalling $93 million and acquired further assets during the year of approximately $87 million for the Abacus Storage Fund (a stapled security fund comprising a new managed investment scheme and an operating company). At 30 June 2006, the Group had $33 million outstanding as a loan to the Abacus Storage Fund to assist in settlement of assets acquired during the year ahead of raising external equity from retail investors.

    A total of $47 million of external capital had been raised by the Abacus Storage Fund as at 30 June 2006.

directors' report

FUNDS MANAGEMENT / continued

- established the Abacus Prime Property Fund (APPF) in October 2005. APPF acquired or contracted to acquire approximately $52 million of additional properties to the date of this report. Total assets of APPF were approximately $37 million as at 30 June 2006. It is intended that this fund become the Group's diversified income fund and will include real property, investments in mortgages and listed and unlisted securities.
- As mentioned above, it is intended to establish the Abacus Hospitality Fund with initial assets of approximately $200 million including the Twin Waters Resort, Tradewinds Resort, Chateau on the Park and the Carlton Hotel. As at 30 June 2006, the Group has invested approximately $50 million to acquire this portfolio.

Total assets under management, combining assets owned by the Abacus Property Group and assets managed by the Group on behalf of external investors, increased $450 million to approximately $1.4 billion at 30 June 2006 from approximately $950 million at 30 June 2005.

MORTGAGE LENDING

The mortgage portfolio now comprises the Abacus Mortgage Fund, ADIF Investment Trust, loans to build the Group's fund management business, mortgages to Abacus associated developments and joint ventures and other mortgage investments.

- The Group added approximately $23 million in principal and interest to its mortgage investment portfolio through the merger with ADIF as mortgages in ADIF Investment Trust are now included in the portfolio.
- The Abacus Mortgage Fund increased the size of its mortgage book (including accrued interest) by $43 million to $100 million at 30 June 2006 compared to $57 million at 30 June 2005.

The combined Abacus Mortgage Fund and ADIF Investment Trust have an average loan balance of approximately $4 million and average term of 6 months. Loans are provided to both property developers and investors.

- A subsidiary of AGHL had loans totalling $93 million outstanding at 30 June 2006 compared to $96 million at 30 June 2005. Of the outstanding balance at 30 June 2006, $54 million had been advanced to Abacus Storage Fund and Abacus Prime Property Fund ahead of raising equity capital from retail investors. Other funds have been advanced to existing schemes where Abacus is either the responsible entity or has joint venture interests, or for other mortgage purposes.

PROJECTS AND JOINT VENTURES

The Group has a number of joint venture investments with experienced property investors and developers in New South Wales, Queensland and Victoria. These joint venture activities enable the Group to participate in a range of property-related opportunities with industry leaders who have local knowledge and a depth of management experience.

During the year ended 30 June 2006, the Group earned a profit of approximately $2 million from joint venture activities through the sale of certain development sites in Victoria.

REVIEW OF FINANCIAL CONDITION

During the year ended 30 June 2006, the contributed equity of the Group increased $220.7 million (63%) to $572.5 million compared to $351.8 million at 30 June 2005.

Capital raisings were made through institutional placements in August 2005 for $55 million (42.6 million stapled securities at $1.29) and February 2006 for approximately $71 million (50.0 million stapled securities at $1.41). Of the total $126 million capital raised, approximately $8 million was allocated to AGHL and $114 million allocated to AT (after issue costs). This additional capital was directed towards acquisition of property assets for the Group and for growth of the funds management business (particularly the Abacus Prime Property Fund, Abacus Storage Fund and proposed Abacus Hospitality Fund). In addition, in early July 2006, the Group completed a $20 million capital raising via a Security Purchase Plan (13.8 million securities at $1.41).

Total equity increased $268.5 million (66%) to $673.1 million at 30 June 2006 compared to $404.6 million at 30 June 2005. The addition of ADIF to the Group increased total equity by $99.3 million. Net tangible assets per security increased 12% to $1.22 at 30 June 2006 compared to $1.09 at 30 June 2005.

At 30 June 2006, existing bank loan facilities totalled approximately $387 million, of which $376 million was drawn. The Group manages interest rate exposure on debt facilities through the use of interest rate swap contracts. At 30 June 2006, approximately $239 million or 62% of total debt facilities were covered by interest rate swap arrangements at an average interest rate (including bank margin) of 6.93% and an average term to maturity of 6.3 years.

The Group's net debt gearing ratio (calculated as total interest bearing liabilities less cash assets divided by total assets) was 35.5% at 30 June 2006 compared to 28.3% at 30 June 2005.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Group occurred during the financial year:

- On 31 March 2006, APG implemented a merger with the ADIF increasing the Group's investment property portfolio (including hotel assets) by approximately $210 million, increasing total assets by approximately $243 million and increasing net assets by $99 million;
- Retained earnings (including the impact of revaluations of investment properties and derivative financial instruments) increased $46 million to $97 million at 30 June 2006 compared to $51 million at 30 June 2005;
- Total equity increased 66% or $268 million to $673 million at 30 June 2006 compared to $405 million at 30 June 2005, reflecting the impact of the merger with ADIF, additional capital raised, growth in retained earnings and net positive revaluations during the year;
- The Abacus Prime Property Fund and Abacus Storage Fund increased their combined total assets to approximately $206 million at 30 June 2006.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 3 July 2006, the Group completed a capital raising via a Security Purchase Plan for $19.5 million and issued approximately 13.8 million securities at $1.41 per security. Of the total $19.5 million capital raised, approximately $1.1 million has been allocated to AGHL, approximately $15.3 million has been allocated to AT, approximately $2.9 million has been allocated to AIT and approximately $0.2 million has been allocated to AGPL.

In July 2006, AGHL, through a 50% owned joint venture project trust, exchanged contracts to acquire a parcel of potential development land in Dandenong, Victoria for an aggregate purchase price of $18.9 million (with final settlement deferred until July 2007). In addition, AGHL entered into bank guarantee obligations (for approximately $5 million) on behalf of certain joint venture project entities and also entered into a contract settlement performance guarantee obligation (for approximately $9 million) in respect of the Dandenong land purchase noted above.

During August 2006, AT completed the acquisition of a bulky goods retail property at Moorabbin, Victoria for an purchase price of approximately $37 million and exchanged contracts to acquire a 50% direct interest in a commercial office property in Adelaide, SA for approximately $5 million. In addition, AIT exchanged contracts to acquire a small shopping centre in Townsville, Queensland for approximately $7 million and also exchanged contracts to sell its property at Kings Park, NSW for approximately $20 million. The sale is expected to be completed in early September 2006.

Other than as disclosed in this report and to the knowledge of directors, there has been no 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 directors have excluded from this report any other information on the likely developments in the operations of the Group and the expected results of those operations in future financial years which are not of a material nature or would in the directors' view be likely to result in unreasonable prejudice to the operation of the Group.

REMUNERATION REPORT

REMUNERATION & NOMINATION COMMITTEE

The Remuneration & Nomination Committee is responsible for making recommendations to the board on remuneration policies and practices applicable to board members and senior executives of the Group. The board's remuneration policy is to ensure that remuneration packages properly reflect each individual's duties, responsibilities and performance. In addition, the board seeks to ensure that remuneration offered by the Group is competitive in attracting, retaining and motivating high quality people.

The Remuneration & Nomination Committee is comprised of:

Malcolm Irving (Chairman)

John Thame

Dennis Bluth

directors' report

REMUNERATION REPORT / CONTINUED

The primary responsibilities of the Remuneration & Nomination Committee include:

- determining and reviewing remuneration policies to apply to members of the board and to the executives of the Group;
- determining the specific remuneration packages for executive directors and key members of the senior management team (including base pay, incentive payments and other benefits);
- reviewing contractual rights of termination of executive directors and, where applicable, members of the senior executive team;
- reviewing managements recommendations of the total proposed incentive payment awards to be provided;
- reviewing and approving the appointment of senior executives to the Group.

COMPENSATION OF NON-EXECUTIVE DIRECTORS

The compensation policy for non-executive directors seeks to appropriately remunerate them for their time, commitment and responsibilities.

Non-executive director's are paid a director's fee and do not receive any retirement benefits (other than superannuation which is inclusive in the director's fee) or performance-related compensation. Where a non-executive director serves on the Group's Credit Committee, they receive compensation for this service in addition to a director's fee. The aggregate pool available for payment of directors' fees to non-executive directors of the Group is an amount not to exceed $400,000 (inclusive of superannuation guarantee contributions) and represents a pool to incorporate a base fee together with fees for specific service on various board committees. This amount and structure was approved by securityholders at the Annual General Meeting held in November 2005.

The compensation of non-executive directors for the year ended 30 June 2006 and 30 June 2005 is set out below:

Non-executive directors	BASE FEES $	AUDIT COMMITTEE FEES $	REMUNERATION COMMITTEE FEES $	DUE DILIGENCE COMMITTEE FEES $	CREDIT COMMITTEE FEES $	TOTAL FEES $
J Thame, Chairman						
30 June 2006	**152,120**	**5,000**	**5,000**	**–**	**–**	**162,120**
30 June 2005	72,880	–	–	–	–	72,880
M Irving						
30 June 2006	**65,000**	**10,000**	**5,000**	**–**	**–**	**80,000**
30 June 2005	29,150	–	–	–	–	29,150
P Green						
30 June 2006	**65,000**	**–**	**–**	**–**	**–**	**65,000**
30 June 2005	29,150	–	–	–	–	29,150
D Bluth						
30 June 2006	**65,000**	**5,000**	**5,000**	**10,000**	**4,800**	**89,800**
30 June 2005	33,415	–	–	–	3,200	36,615
Total non executive directors						
30 June 2006	**347,120**	**20,000**	**15,000**	**10,000**	**4,800**	**396,920**
30 June 2005	164,595	–	–	–	3,200	167,795

NOTE: No fees were specifically paid for Committee representation for 2005.

COMPENSATION OF EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES

Executive employment contracts

The Group has entered into agreements with executive director, Dr FM Wolf, and the Managing Director, DJ Bastian in relation to compensation and, more specifically, the notice period required should their services no longer be required by the board or either voluntarily terminate their employment with the Group. The agreements stipulate base salary, allow for annual review and inflation adjustment and provides for short-term incentive payments in addition to the executives' base salaries, subject to certain performance criteria determined by, and at the discretion, of the board.

Should the board seek to terminate the services of either Dr Wolf and or Mr Bastian, a notice period of twelve months is required to be given. If either Dr Wolf or Mr Bastian voluntarily terminates their employment with the Group, a notice period of 6 months is required.

Mr Bastian has announced his intention to retire as Managing Director effective 30 September 2006.

There are no other executive service agreements.

Executive pay

The board's policy on executive pay is to ensure compensation is reasonable, competitive, motivating and appropriate for the results delivered. The Remuneration & Nomination Committee takes external advice in its deliberations.

The current compensation structure has two components, the combination of which comprises the executive's total compensation:

- base pay and benefits (fixed); and
- short term incentive (variable 'at risk')

The total compensation package seeks to provide an appropriate mix of base salary with short-term incentives. The Remuneration Committee is currently working through the structure of a long-term incentive program for senior executives.

(a) Base pay

Executives are offered a base pay that comprises the fixed component of their total compensation. Subject to meeting minimum superannuation obligations, executives are able to nominate the mix between cash and superannuation contributions.

Base salary is set by reference to the executive's position, experience and performance. The Group aims to ensure base salaries are competitive in the market. Base salaries are reviewed annually having regard to individual and Group performance and external market conditions. The base pay of executive directors and senior executives are reviewed and approved by the Remuneration & Nomination Committee.

(b) Short-term incentives

At the discretion of the board, executives and senior managers may receive short-term incentive payments based on reference to a variety of measures, both financial and non-financial. These measures primarily include Group profitability targets, returns to securityholders and certain key performance indicators such as assets under management.

The board considers that performance-linked objectives that have an operational and financial impact focus are best suited to the outcomes desired by securityholders. Non-financial measures are also taken into account.

The actual level of short-term incentive payments awarded to each executive at the end of each year is determined by reference to achievement of the targets and the extent to which executives were able to contribute to such achievement.

(c) Share based payments

In April 2006, the Board approved an arrangement, forming part of the employment contract for a particular executive only, whereby APG provides loan funds to enable the executive to acquire APG securities on-market at prevailing market prices. The maximum amount that can be drawn under the arrangement is $2.5 million; it has an initial term of five years and expires in May 2011. The loan is interest free. For compensation purposes however, an amount is deducted from the executive's base compensation at an estimated commercial interest rate of 7.5% per annum and this amount is included in the table below for the year ended 30 June 2006. The loan is limited recourse against the securities purchased and repayment is satisfied by the sale of the securities upon termination of employment and repayment of the outstanding loan balance, appropriate application of other compensation during the term or via a specified repayment schedule at the end of the term. The arrangement is not currently available to directors or other executives.

directors' report

REMUNERATION REPORT / CONTINUED

Compensation of executive directors

(i) The compensation of key management personnel – executive directors for the year ended 30 June 2006 and 30 June 2005 (consolidated) is set out below:

Executive directors	SALARY & FEES $	CASH BONUS[1] $	SUPER-ANNUATION $	SHARE BASED $	TOTAL $
F Wolf, Deputy Chairman					
30 June 2006	**779,167**	**440,000**	**70,833**	**–**	**1,290,000**
30 June 2005	551,250	400,000	–	–	951,250
D Bastian, Managing Director					
30 June 2006	**501,907**	**275,000**	**98,093**	**–**	**875,000**
30 June 2005	484,540	250,000	11,585	–	746,125
L Lloyd					
30 June 2006	**224,220**	**120,000**	**30,780**	**–**	**375,000**
30 June 2005	169,500	60,000	51,000	–	280,500
Total executive directors					
30 June 2006	**1,505,294**	**835,000**	**199,706**	**–**	**2,540,000**
30 June 2005	1,205,290	710,000	62,585	–	1,977,875

[1] Cash bonus relates to amounts paid in August 2006 and August 2005 and referrable to the years ended 30 June 2006 and 2005 respectively

Compensation of executives

(i) The compensation of key management personnel - executives for the year ended 30 June 2006 and 30 June 2005 (consolidated) is set out below:

Key management personnel	SALARY & FEES $	CASH BONUS[1] $	SUPER-ANNUATION $	SHARE BASED[2] $	TOTAL $
J L'Estange					
30 June 2006	**219,861**	**150,000**	**30,139**	**–**	**400,000**
30 June 2005	196,914	100,000	28,086	–	325,000
T Hardwick [3]					
30 June 2006	**59,050**	**–**	**2,023**	**5,594**	**66,667**
30 June 2005	–	–	–	–	–
K Kitchen					
30 June 2006	**187,861**	**100,000**	**12,139**	**–**	**300,000**
30 June 2005	194,414	30,000	11,586	–	236,000
S O'Donoghue [4]					
30 June 2006	**245,000**	**100,000**	**15,000**	**–**	**360,000**
30 June 2005	188,904	65,000	12,058	–	265,962
P Strain					
30 June 2006	**187,861**	**100,000**	**12,139**	**–**	**300,000**
30 June 2005	173,414	60,000	11,586	–	245,000
E Varejes [5]					
30 June 2006	**140,775**	**–**	**5,058**	**–**	**145,833**
30 June 2005	–	–	–	–	–
Total executives					
30 June 2006	**1,040,408**	**450,000**	**76,498**	**5,594**	**1,572,500**
30 June 2005	753,646	255,000	63,316	–	1,071,962

(1) Cash bonus relates to amounts paid in August 2006 and August 2005 and referrable to the years ended 30 June 2006 and 2005 respectively

(2) Share based represents an amount deducted from the executive's base compensation during the year associated with the executive's share loan arrangement

(3) Commenced employment in May 2006

(4) Commenced employment in September 2004

(5) Commenced employment in February 2006

directors' report

INFORMATION ON DIRECTORS AND OFFICERS

The directors and company secretary of AGHL, Abacus (the responsible entity of AT and AIT) and AGPL, in office during the financial year and until the date of this report are as set out below, with qualifications, experience and special responsibilities.

JOHN THAME AIBF, FCPA Chairman (non-executive) Member of Audit Committee Member of Remuneration & Nomination Committee	Mr John 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 is Chairman of St George Bank Limited, a director of Reckon Limited and a former director of AWB Limited.
FRANK WOLF PhD, BA Hons Deputy Chairman (executive) Director, Abacus Group Projects Limited	Dr Frank Wolf has over 20 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 $2 billion worth of property related transactions, corporate acquisitions and divestments and has financed specialist property-based assets in retirement and hospitality sectors. Dr Wolf is the Chairman of FSP Group Pty Limited and a director of financial planning groups Financial Services Partners Pty Limited, Vector Financial Services Limited and Kingston Capital Limited as well as of HGL Limited, a diversified publicly listed investment company.
DAVID BASTIAN CPA Managing Director Director, Abacus Group Projects Limited	Mr David Bastian has almost 40 years experience in the financial services industry, in particular in the packaging of commercial, retail and residential property projects. He was Managing Director of the Canberra Building Society for 20 years and an Executive Director of Godfrey Pembroke Financial Services Pty Limited for 7 years. Mr Bastian is also a director of financial planning groups FSP Group Pty Limited, Vector Financial Services Limited and Kingston Capital Limited.
MALCOLM IRVING AM, FCPA, SF Fin, BCom, Hon DLitt Non-executive director Chairman of Audit Committee Chairman of Remuneration & Nomination Committee	Mr Malcolm Irving has over 40 years experience in company management, including 12 years as Managing Director of CIBC Australia Limited. Mr Irving is Chairman of Australian Industry Development Corporation, the Australian River Company Limited, Willis Australia Limited Group and Keycorp Limited. He is also a director of O'Connell Street Associates Pty Ltd, ADI Limited and Resimac Limited.

PHILLIP GREEN LLB, BCom Non-executive director	Mr Phillip Green is Managing Director of Babcock & Brown Limited. Mr Green has over 25 years experience in corporate finance specialising in taxation and structured domestic and international corporate acquisitions. He is also a director of a number of companies including Chairman of Babcock & Brown Infrastructure Limited, Babcock & Brown Environmental Investments Limited and of the responsible entity of the MTM Entertainment Trust, and is a director of Babcock & Brown Capital Limited, Everest Babcock & Brown Alternative Investments, Thakral Holdings Limited, the trustee of the Babcock & Brown Japan Property Trust, Tourism Asset Holdings Limited, FSP Group Pty Limited and Prime Infrastructure Management Limited. Mr Green holds Bachelor of Commerce and Bachelor of Law degrees and qualified as a Chartered Accountant.
DENNIS BLUTH LLM, LLB, BA Non-executive director Chairman of Credit Committee Chairman of Due Diligence Committee Member of Audit Committee Member of Remuneration & Nomination Committee	Mr Dennis Bluth holds Bachelor of Arts, Bachelor of Law and Masters of Law degrees and has practised as a solicitor for over 25 years, principally in the area of property law. Mr Bluth is a Chairman with Abbott Tout Solicitors of Sydney, Canberra and Brisbane and is a member of a number of Law Society and Law Council Committees. He was formerly a director of Godfrey Pembroke Financial Services Limited.
LEN LLOYD FAPI, LREA Executive director Director, Abacus Group Projects Limited	Mr Len Lloyd is a licensed Real Estate Agent and a registered Real Estate Valuer. His experience includes the development, management and funding of commercial, retail and residential property. Mr Lloyd joined the Abacus Group in October 2000 and now holds the position of Managing Director of Abacus Property Services Pty Limited responsible for property administration and development opportunities in the Abacus portfolio. In previous positions Mr Lloyd held responsibility for the property portfolios of the Advance Bank and St George Bank and provided valuation and lending advice while with the Commonwealth Development Bank.
SEAN O'DONOGHUE BCom, CA, MBA Company Secretary	Mr Sean O'Donoghue has been the Company Secretary since joining the Abacus Group in September 2004. Mr O'Donoghue has over 15 years experience in the property and financial services industries having held various senior roles with MLC, Lend Lease Corporation and Commonwealth Bank over that period.

directors' report

INFORMATION ON DIRECTORS AND OFFICERS / CONTINUED

The directors and officers were in office from the beginning of the financial year until the date of this report unless otherwise stated.

A number of board sub-committees exist to ensure efficient monitoring and delivery of board policies.

The Audit Committee is chaired by Malcolm Irving. Its purpose is to ensure that an effective framework exists through the establishment and maintenance of adequate internal controls to safeguard assets and to ensure the integrity and reliability of the financial and management reporting systems.

The Due Diligence Committee is chaired by Dennis Bluth. The Committee reviews and makes recommendations for major acquisitions, new syndications and preparation of associated product disclosure statements.

The Remuneration & Nomination Committee is chaired by Malcolm Irving. The committee reviews and makes recommendations on remuneration packages and other items of employment for executive and non-executive directors and the senior management of the Group. In addition, the committee review and approve nominations for new senior management appointments.

As at the date of this report, the relevant interests of the directors and specified executives in the stapled securities of APG and outstanding loans provided to acquire APG securities were as follows:

Directors	APG SECURITIES HELD	LOAN TO FUND APG SECURITIES
J Thame	50,000	–
F Wolf	6,828,546	–
D Bastian	7,059,549	–
M Irving	27,993	–
P Green	9,370,430	–
D Bluth	–	–
TOTAL	**23,336,518**	**–**

The directors are not party to any contract under which the directors may be entitled to a benefit or that confers a right to call for or deliver interests in the Group.

Executives	APG SECURITIES HELD	LOAN TO FUND APG SECURITIES
T Hardwick	1,750,000	2,496,822
K Kitchen	13,492	–
P Strain	10,000	
TOTAL	**1,773,492**	**2,496,822**

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) of AGHL and Abacus held during the year and the number of meetings attended by each director were as follows:

	BOARD	DUE AUDIT COMMITTEE	NOMINATION & DILIGENCE COMMITTEE[1]	REMUNERATION COMMITTEE	CREDIT COMMITTEE
Number of meetings held	19	3	5	3	27
Number of meetings attended					
J Thame	19	3	–	3	–
F Wolf	19	–	5	–	–
D Bastian	19	–	5	–	–
D Bluth	17	3	3	1	27
P Green	10	–	–	–	–
M Irving	16	3	–	3	–
L Lloyd[2]	18	–	–	–	–
D Brodie[3]	–	–	–	–	27
G Broome[3]	–	–	–	–	27

[1] Membership to the due diligence committee changes in relation to projects. The directors attended all meetings of the committee in which they have been appointed as members

[2] Mr Len Lloyd is a director of AGHL and AGPL only. Meetings of AGHL and Abacus were held concurrently

[3] Mr G Brodie and Mr G Broome are external members of the Credit Committee

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit, other than any benefit disclosed in the financial statements as compensation or the fixed salary of key management personnel of the Group or a related company by reason of a contract made by the Group or a related body corporate with the director or a with a firm of which he is a member, or with an entity in which he has a substantial financial interest.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Abacus has paid an insurance premium in respect of a contract insuring all directors and full time executive officers and secretary. The terms of this policy prohibit disclosure of the nature of the risks insured or the premium paid.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's environmental responsibilities, such as waste removal and water treatment, have been managed in compliance with all applicable regulations and licence requirements and in accordance with industry standards. No breaches of requirements or any environmental issues have been discovered and brought to the board's attention. There has been no known significant breaches of any environmental requirements applicable to the Group.

STAPLED SECURITY OPTIONS

No options were granted over any stapled securities in the Group during the financial year nor are there options outstanding as at the date of this report.

directors' report

REGISTER OF SECURITYHOLDERS

The register of securityholders has, during the year ended 30 June 2006, been properly drawn up and maintained so as to give a true account of the securityholders of the Group.

AUDITORS INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is shown on the following page.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Group support and adhere to the principles of corporate governance. The Group's Corporate Governance Statement is contained in the Corporate Governance section of the annual report.

ROUNDING

The amounts contained in this report and in the annual 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 98/0100. The Group is an entity to which the Class Order applies.

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

JOHN THAME
Chairman

DAVID BASTIAN
Managing Director

Sydney, 1 September 2006

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680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
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DX Sydney Stock Exchange 10172

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 2006, 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

ERNST & YOUNG

MARK OSULLIVAN
Partner

Sydney, 1 September 2006

consolidated income and distribution statements

YEAR ENDED 30 JUNE 2006

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
Revenue					
Rental income		41,907	30,561	563	535
Hotel-related income		8,073	–	–	–
Finance income	3a	24,813	16,431	232	1
Rendering of services	3b	12,837	8,894	444	532
Profit from equity accounted investments		2,630	1,561	2,347	9
Income from distributions		1,070	505	3,782	3,748
Net profit on sales - other		985	–	–	–
Total revenue		**92,315**	**57,952**	**7,368**	**4,825**
Employee benefits expense	3e	(9,107)	(6,011)	–	–
Depreciation and amortisation expense	3f	(1,346)	1	–	–
Finance costs	3g	(7,832)	(9,271)	(11,136)	(8,089)
Other expenses	3h	(17,186)	(7,444)	(884)	(582)
Profit / (loss) from operating activities		**56,844**	**35,227**	**(4,652)**	**(3,846)**
Net realised gains on investments	3c	4,603	3,401	–	–
Net unrealised gains on investments	3d	41,157	14,226	(1,197)	(500)
Profit / (loss) before income tax		**102,604**	**52,854**	**(5,849)**	**(4,346)**
Income tax expense		(744)	(223)	(741)	(223)
Net profit / (loss) for the period		**101,860**	**52,631**	**(6,590)**	**(4,569)**
Net profit attributable to minority interests - external		(624)	(678)	–	–
Net profit / (loss) attributable to Group securityholders		**101,236**	**51,953**	**(6,590)**	**(4,569)**
Represented by:					
Abacus Group Holdings Limited		(216)	1,214	–	–
Abacus Trust		82,172	50,739	–	–
Abacus Income Trust		19,352	–	–	–
Abacus Group Projects Limited		(72)	–	–	–
Basic and diluted earnings / (loss) per security (cents)	4	**24.22**	**16.18**	**(1.58)**	**(1.42)**
STATEMENT OF DISTRIBUTION					
Net profit/(loss) attributable to securityholders		101,236	51,953	(6,590)	(4,569)
Net transfer of undistributed income to members' funds		(50,275)	(15,014)	6,590	4,569
Distributions paid and payable	5	**50,961**	**36,939**	**–**	**–**
Distribution per security (cents per security)		11.80	11.40	–	–
Weighted average number of securities ('000)	4	418,056	321,169	–	–

consolidated balance sheet

AS AT 30 JUNE 2006

		CONSOLIDATED		PARENT	
	NOTES	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Current assets					
Cash and cash equivalents		20,107	4,417	630	–
Trade and other receivables		19,565	17,781	6,189	1,024
Inventories		340	–	–	–
Investment properties	7	18,255	19,329	–	–
Other financial assets		133,497	98,309	–	–
Other		2,209	1,500	1	33
Total current assets		**193,973**	**141,336**	**6,820**	**1,057**
Non-current assets					
Deferred tax assets		1,335	614	393	614
Other financial assets		111,691	71,180	88,696	88,493
Investments accounted for using the equity method		67,874	13,763	11,777	8,930
Property, plant and equipment	8	161,299	133	–	–
Investment properties	7	582,312	333,416	6,900	7,557
Intangible assets and goodwill		41,096	32,394	32,394	32,394
Other		3,700	1,339	–	–
Total non-current assets		**969,307**	**452,839**	**140,160**	**137,988**
Total assets		**1,163,280**	**594,175**	**146,980**	**139,045**
Current liabilities					
Trade and other payables		51,982	16,117	(8)	41,388
Interest-bearing loans and borrowings		51,142	29,850	3,654	–
Provisions		939	196	–	–
Total current liabilities		**104,063**	**46,163**	**3,646**	**41,388**
Non-current liabilities					
Interest-bearing loans and borrowings		383,387	142,914	125,519	84,968
Deferred tax liabilities		1,811	–	1,544	–
Provisions		908	505	–	–
Total non-current liabilities		**386,106**	**143,419**	**127,063**	**84,968**
Total liabilities		**490,169**	**189,582**	**130,709**	**126,356**
Net assets		**673,111**	**404,593**	**16,271**	**12,689**
Total equity		**673,111**	**404,593**	**16,271**	**12,689**

consolidated balance sheet

AS AT 30 JUNE 2006

Equity	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
Total equity attributable to AGHL		30,195	21,687	–	–
Internal Group entities:					
Abacus Trust		513,907	381,073	–	–
Abacus Group Projects Limited		4,929	–	–	–
Abacus Income Trust		121,776	–	–	–
Total equity attributable to internal Group entities		640,612	381,073	–	–
Outside equity interests – external		2,304	1,833	–	–
Total equity attributable to outside interests		642,916	382,906	–	–
Total equity		**673,111**	**404,593**	**16,271**	**12,689**
Equity					
Contributed equity	9a	572,503	351,825	20,725	12,043
Reserves		1,678	(210)	22	–
Retained earnings/(accumulated losses)	9c	96,626	51,145	(4,476)	646
Total parent interest in equity		670,807	402,760	16,271	12,689
Total outside equity interest		2,304	1,833	–	–
Total equity		**673,111**	**404,593**	**16,271**	**12,689**
Total equity attributable to members of AGHL					
Contributed equity		20,725	12,043	20,725	12,043
Reserves		(230)	(210)	22	–
Retained earnings		9,700	9,854	(4,476)	646
Total equity AGHL		30,195	21,687	16,271	12,689
Total equity attributable to unitholders of AT					
Contributed equity		446,550	339,782	–	–
Retained earnings		67,357	41,291	–	–
Total equity AT		513,907	381,073	–	–
Total equity attributable to members of AGPL					
Contributed equity		5,557	–	–	–
Retained earnings		(628)	–	–	–
Total equity AGPL		4,929	–	–	–
Total equity attributable to unitholders of AIT					
Contributed equity		99,671	–	–	–
Reserves		1,908	–	–	–
Retained earnings		20,197	–	–	–
Total equity AIT		121,776	–	–	–
Total equity attributable to members of the Group		670,807	402,760	16,271	12,689
Total equity attributable to outside equity interest:					
Contributed equity		1,321	797	–	–
Retained earnings		983	1,036	–	–
Total equity outside interest		2,304	1,833	–	–
Total equity		**673,111**	**404,593**	**16,271**	**12,689**

consolidated statement of recognised income and expense

YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		PARENT	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Foreign currency translation	(41)	(210)	–	–
Fair value revaluation of property, plant and equipment	1,049	–	–	–
Application of AASB 132 and AASB 139	(5,249)	–	–	–
Income tax on items taken directly to or transferred from equity	22	–	–	–
Other	165	(279)	–	–
Net income recognised directly in equity	**(4,054)**	**(489)**	**–**	**–**
Profit for the period	101,860	52,631	(6,590)	(4,569)
Total recognised income and expense for the period	**97,806**	**52,142**	**(6,590)**	**(4,569)**
Attributable to:				
Stapled securityholders	97,182	51,464	(6,590)	(4,569)
Minority interest – external	624	678	–	–
	97,806	52,142	(6,590)	(4,569)

consolidated cash flow statement

YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		PARENT	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Cash flows from operating activities				
Income receipts	55,146	34,831	3,982	2,173
Interest received	21,629	7,636	162	1
Distributions received	867	300	857	276
Income tax expense (paid)/received	(156)	139	100	139
Audit fees	(175)	(112)	(64)	(16)
Custody fees paid	(112)	(73)	–	–
Interest paid	(12,431)	(9,129)	(80)	–
Operating payments	(14,393)	(9,479)	(773)	(472)
Net cash flows from/(used in) operating activities	**50,375**	**24,113**	**4,184**	**2,101**
Cash flows from investing activities				
Payments for investments	(162,458)	(332,064)	(12,920)	(15,780)
Proceeds from sale and settlement of investments	90,724	235,642	7,127	733
Consolidation of a controlled entity	–	5,410	–	–
Cash acquired on ADIF merger	3,082	–	–	–
Advances to related entities	828	–	(38,437)	–
Purchase of a controlled entity	–	(34)	(1,058)	–
Purchase of plant and equipment	(9,516)	(27)	(120)	–
Purchase of investment properties	(171,387)	(130,580)	–	–
Disposal of investment properties	29,202	17,474	–	–
Net cash flows from/(used in) investing activities	**(219,525)**	**(204,179)**	**(45,408)**	**(15,047)**
Cash flows from financing activities				
Proceeds from issue of stapled securities	144,017	85,146	8,682	5,381
Repayment of borrowings	(86,061)	(188,870)	(230,381)	(22,849)
Proceeds from borrowings	174,523	298,954	263,553	30,414
Distributions paid	(47,730)	(35,114)	–	–
Net cash flows from/(used in) financing activities	**184,749**	**160,116**	**41,854**	**12,946**
Net increase/(decrease) in cash and cash equivalents	15,599	(19,950)	630	–
Net foreign exchange differences	91	–	–	–
Cash and cash equivalents at beginning of period	4,417	24,367	–	–
Cash and cash equivalents at end of period	**20,107**	**4,417**	**630**	**–**

notes to the concise financial statements

30 JUNE 2006

1. Summary of significant accounting policies

(a) Listed property trust units

The constitutions of both AT and AIT were amended to remove the finite maximum term of the Trusts which allows unitholders' funds to continue to be treated as equity in accordance with *AASB 132 Financial Instruments: Presentation & Disclosure*. AT and AIT both deferred the adoption of *AASB 132 Financial Instruments: Presentation & Disclosure and AASB 139 Financial Instruments: Recognition and Measurement* to 1 July 2005. Accordingly, AASB 132 and AASB 139 were not been applied to the comparatives and the Trust's units were accounted for as equity.

(b) Basis of Preparation

The concise financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards.

The concise financial report has been derived from the annual financial report but does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The concise financial report should be read in conjunction with the annual financial report of AT, AGPL and AIT. It is also recommended that the annual financial report be considered together with any public announcements made by the APG during the year ended 30 June 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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 which are accounted for using the equity method, and certain investments measured at net market value. The carrying values of recognised assets and liabilities that are covered by interest rate swap arrangements, are adjusted to record changes in the fair values attributable to the risks that are being covered by derivative financial instruments.

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.

(c) Statement of compliance

This financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard (AIFRS). Compliance with AIFRS has ensured that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of *AASB 132 Financial Instruments: Disclosure and Presentation* and *AASB 139 Financial Instruments: Recognition and Measurement*. The Group has adopted the exemption under *AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB 132 and AASB 139 to the comparative period.

Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 2. As at 30 June 2006, a number of accounting standards have been issued with applicable commencement dates subsequent to year end. The impact of these accounting standards will not materially alter the accounting polices of the Group.

(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, and AIT and its subsidiaries as from the date AGHL is deemed to have obtained control until such time control ceases. For the purposes of these financial statements, the consolidated entities noted above are collectively referred to as the APG.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

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 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.

notes

1. Summary of significant accounting policies / continued

The merger of ADIF (comprising AIT and AGPL), whereby the units in AIT and shares in AGPL were stapled to shares in AGHL and units in AT, on 31 March 2006 has been accounted for on the basis of an aggregation of the net assets of the respective entities on the implementation date. The consolidated financial statements include the net assets of ADIF and results for the three month period from the merger implementation date of 31 March 2006.

Minority interests represent the interests in Abacus Hobart Growth Trust, The Wollongong Property Trust, Abacus Independent Retail Property Trust and Abacus Matson Holdings Limited that are not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet.

2. Impact of adopting AIFRS

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Group is required to prepare in accordance with AIFRS. Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in Note 1. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by *AASB 1 First-time adoption of AIFRS*.

This note explains the material adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004, its previously published AGAAP Balance Sheet and Income Statement for the year ended 30 June 2005, and adjustments to opening total equity upon the adoption of AASB 132 and 139 on 1 July 2005.

a) AASB 1 transitional exemptions

The Group has made its election to the transitional exemptions allowed by *AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards* as follows:

ii) *AASB 3 Business Combinations* was not applied retrospectively to business combinations undertaken before the date of transition to AIFRS;

iii) The Group has elected to defer the application of *AASB 132 Financial Instruments: Presentation and Disclosure and AASB 139 Financial Instruments: Recognition and Measurement*. As a result of the deferral, the opening retained earnings at 1 July 2005 has been adjusted to account for the application of *AASB 132 Financial Instruments: Presentation and Disclosure and AASB 139 Financial Instruments: Recognition and Measurement* as at that date. Refer note 3(e) for the reconciliation between 30 June 2005 total equity closing balance and 1 July 2005 total equity opening balance.

b) Reconciliation of profit after tax between AGAAP and AIFRS	CONSOLIDATED YEAR ENDED 30 JUNE 2005 $'000	PARENT YEAR ENDED 30 JUNE 2006 $'000
Profit after tax as previously reported	39,784	(4,202)
Write-back of goodwill amortisation(1)	1,775	–
Recognition of leasing incentives for amortisation (2)	480	–
Reversal of profits on sales settled after period end(3)	(1,600)	–
Revaluation of investment properties(4)	12,059	(500)
Adjustment to income tax expense(5)	133	133
Profit after tax under AIFRS	**52,631**	**(4,569)**

(1) Goodwill is not amortised under AASB3 'Business Combinations', but was amortised under previous AGAAP. This caused an increase in profit for the year.

(2) Lease incentives including rent-free periods that have not been recognised previously have been recognised and will be amortised over the lease term under AASB 117 *Leases and UIG Interpretation 115 Operating Leases - Incentives*.

(3) Sales not settled within the reporting period have been reversed and taken up in the period of settlement pursuant to AASB 118 *Revenue* which provides that revenue on the sale of goods is recognised when the significant risks and rewards of the ownership of the goods have been transferred to the buyer.

(4) Fair value movements in investment properties are charged to the income statement under AASB 140 'Investment Property', but were taken to the asset revaluation reserve under previous AGAAP. The gains from the fair value adjustment resulted in an increase in profit for the year.

(5) The adjustments above led to an increase in deferred tax expense.

c) Reconciliation of total equity between AGAAP and AIFRS	CONSOLIDATED 30 JUNE 2005 $'000	CONSOLIDATED 1 JULY 2004 $'000	PARENT 30 JUNE 2005 $'000	PARENT 1 JULY 2004 $'000
Total equity under AGAAP	403,805	302,744	12,556	11,878
Adjustments to equity:				
Asset revaluation reserve(1)	38,110	26,398	806	1,653
Transfer of asset revaluation reserve to retained earnings(1)	(38,110)	(26,398)	(806)	(1,653)
Write-back of goodwill amortisation(2)	1,775	–	–	–
Reversal of profits on sales settled after period end(3)	(1,600)	(2,993)	–	–
Amortisation of leasing incentives(4)	480	413	–	–
Adjustment to income tax expense(5)	133	807	133	807
Total equity under AIFRS	**404,593**	**300,971**	**12,689**	**12,685**

(1) Asset revaluation reserve relating to investment properties has been reclassified to retained earnings. Gains or losses on revaluation of investment properties are recognised in profit or loss for the period in which they arise under *AASB 140 Investment Property*.

(2) Under *AASB 3 Business Combinations* goodwill acquired in business combinations will not be amortised but will be subject to annual (or more frequent) impairment testing. Accordingly, goodwill amortised in the previous year has been reversed resulting in an increase in retained earnings.

(3) Sales not settled within the reporting period have been reversed and taken up in the period of settlement pursuant to *AASB 118 Revenue* which provides that revenue on the sale of goods is recognised when the significant risks and rewards of the ownership of the goods have been transferred to the buyer.

(4) Lease incentives including rent-free periods have been recognised and will be amortised over the lease term under *AASB 117 Leases and UIG Interpretation 115 Operating Leases – Incentives*.

(5) The above changes resulted in an increase in deferred tax liability as follows:

	CONSOLIDATED 30 JUNE 2005 $'000	CONSOLIDATED 1 JULY 2004 $'000	PARENT 30 JUNE 2005 $'000	PARENT 1 JULY 2004 $'000
Tax effect of the above adjustments	133	807	133	807
Increase/(decrease) in tax deferred liability	133	807	133	807

notes

2. Impact of adopting AIFRS / continued

d) Cashflow statement under AIFRS

There are no material differences between the AGAAP and AIFRS cash flow statements.

e) Reconciliation of total equity opening balance upon adoption of AASB 132 and 139 on 1 July 2005	CONSOLIDATED TOTAL EQUITY 1 JULY 2005 $'000	PARENT TOTAL EQUITY 1 JULY 2005 $'000
Total equity as at 30 June 2005	404,593	12,689
Interest rate swap arrangements not covered by hedge accounting[1]	(4,869)	–
Total opening equity under AIFRS as at 1 July 2005	**399,724**	**12,689**

As a result of applying *AASB 132 Financial Instruments: Presentation and Disclosure* and *AASB 139 Financial Instruments: Recognition and Measurement* on 1 July 2005 various adjustments have been made between reserves and retained earnings which have been disclosed in note 19.

[1] Interest rate derivatives are determined to be ineffective as they do not meet the hedge effectiveness criteria under *AASB 139 Financial Instruments: Recognition and Measurement*, accordingly, the derivatives are measured at fair value and the gains and losses are recorded in the income statement. Under AGAAP, interest rate derivatives were accounted for on an accrual basis.

3. Revenue and expenses

	CONSOLIDATED		PARENT	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
(a) Finance income				
Interest on mortgage loans	23,852	15,266	207	–
Bank interest	961	1,165	25	1
Total finance income	**24,813**	**16,431**	**232**	**1**
(b) Rendering of services				
Asset management fee	3,075	2,540	–	–
Property management fee	580	692	–	–
Consulting and other income	9,182	5,662	444	532
Total income from rendering of services	**12,837**	**8,894**	**444**	**532**
(c) Net realised gains on investments				
Sale of 50% interest in put options	–	2,043	–	–
Sale of shares and units	–	770	–	–
Sale of investment properties	4,603	588	–	–
Total net realised gains on investments	**4,603**	**3,401**	**–**	**–**
(d) Unrealised gains on investments				
Change in fair value of investment options	748	1,189	–	–
Change in fair value of units and shares	(98)	978	(98)	–
Change in fair value of investment properties	40,507	12,059	(1,099)	(500)
Total unrealised gains on investments	**41,157**	**14,226**	**(1,197)**	**(500)**

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
(e) Employee benefits expense				
Wages and salaries	8,718	5,936	–	–
Leave provisions	241	10	–	–
Other	148	65	–	–
Total employee benefits expense	**9,107**	**6,011**	**–**	**–**
(f) Depreciation and amortisation expense				
Depreciation of property, plant and equipment	599	48	–	–
Amortisation of software	24	16	–	–
Amortisation of leasing incentives	693	(65)	–	–
Amortisation of intangible assets	30	–	–	–
Total depreciation and amortisation expense	**1,346**	**(1)**	**–**	**–**
(g) Finance costs				
Interest on loans	14,659	9,251	11,136	8,089
Amortisation of finance costs	342	20	–	–
Unrealised gains on interest rate swaps	(7,169)	–	–	–
Total finance costs	**7,832**	**9,271**	**11,136**	**8,089**
(h) Other expenses				
Property outgoings	8,462	5,548	131	103
Hotel related expenses	5,015	–	–	–
Bad and doubtful debts	42	(861)	–	19
Auditor's remuneration	168	179	23	77
Custody fees	124	82	–	–
Registry maintenance costs	338	137	254	105
Rental expenses	332	314	–	–
Other	2,705	2,045	476	278
Total other expenses	**17,186**	**7,444**	**884**	**582**

notes

4. Earnings per security

a) Attributable to Abacus Property Group securityholders	CONSOLIDATED 2006 CENTS	2005 CENTS
Basic and diluted earnings per stapled security	24.22	16.18
Basic and diluted earnings per stapled security (excluding fair value movements in properties and derivatives)	12.92	12.42

	$'000	$'000
Net profit attributable to stapled securityholders	101,236	51,953
Net profit attributable to stapled securityholders (excluding fair value movements in properties and derivatives)	53,560	39,894

	'000	'000
Weighted average number of stapled securities	418,056	321,169

On 3 July 2006, the Group completed a $19.5 million capital raising via a Security Purchase Plan and issued 13,842,334 stapled securities at $1.41. On 10 August 2006, the Group paid the final distribution in respect of the June 2006 quarter and issued 2,217,185 stapled securities pursuant to the Distribution Reinvestment Plan. Apart from the issuance of these securities, there have been no other transactions involving stapled securities or potential stapled securities between the reporting date and the date of completion of these financial statements.

(b) Attributable to Shareholders of the parent company	CONSOLIDATED 2006 CENTS	2005 CENTS
Basic and diluted earnings per share	(1.58)	(1.42)

	$'000	$'000
Net profit attributable to shareholders	(6,590)	(4,569)

	'000	'000
Weighted average number of shares	418,056	321,169

5. Distributions paid and proposed

	CONSOLIDATED 2006 $'000	2005 $'000
(a) Distributions paid during the year		
Final distribution for financial year 30 June 2005:		
2.90 cents per unit (2004: 3.00 cents)	9,942	8,117
Interim distributions paid during the year:		
September: 2.90 cents per unit (2005: 2.80 cents)	11,179	8,328
December: 2.90 cents per unit (2005: 2.80 cents)	11,179	8,727
March: 3.00 cents per unit (2005: 2.90 cents)	13,112	9,942
Total	**45,412**	**35,114**
(b) Distributions proposed and recognised as a liability		
Final distribution payable for the June quarter:		
3.00 cents per unit (2005: 2.90 cents)	15,491	9,942

The parent entity, AGHL, did not pay or propose to pay any distributions for the year

6. Net tangible asset backing

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$	$	$	$
Net tangible asset backing per security	1.22	1.09	(0.03)	(0.06)

Net tangible asset backing per security increased 13.8 cents or 12.7% to $1.224 at 30 June 2006 compared to $1.086 at 30 June 2005.

Net tangible asset backing per security is calculated by dividing net assets less intangible assets of the Group by the number of securities on issue. The number of securities used in the calculation of net tangible assets backing for both Consolidated and Parent is 516,381,609 securities (2005: 342,836,128).

7. Investment properties

Investment properties are carried at the directors' determination of fair value and are based on independent valuations where appropriate. 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 or latest independent update. Total acquisition costs include incidental costs of acquisition such as property taxes on acquisition, legal and professional fees and other acquisition related costs.

Independent valuations of investment properties are conducted at least once every two years. Independent valuations are prepared using both the capitalisation of net income method and the discounting of future cashflows to their present value method. Capital expenditure since valuation may include purchases of sundry properties (and associated expenses of stamp duty, legal fees etc) and other capital refurbishment and repair expenditure.

				CONSOLIDATED VALUE	
PROPERTY	ACQUISITION DATE[(a)]	COST INCLUDING ALL ADDITIONS $'000	INDEPENDENT VALUATION DATE	2006 NOTE[(b)] $'000	2005 $'000
(a) Current asset					
109 Pitt Street, Sydney, NSW[(1)(c)]	22 Jun 1999	9,924	30 Jun 2006	18,255	19,329
Current asset - Investment properties				18,255	19,329
(b) Non-current assets					
66 Christina Road, Villawood, NSW[(6)]	28 May 2002	8,187	7 Jun 2006	12,400	8,147
CSIRO, Limestone Ave., Campbell, ACT[(5)]	21 Jun 2002	12,686	30 Jun 2006	18,000	15,200
4 Ray Road, Epping, NSW[(2)]	30 Apr 1997	26,960	30 Jun 2006	51,000	44,000
431 Glebe Point Road, Glebe, NSW[(3)]	23 Sep 1997	–	–	–	12,562
Ashfield Mall, Ashfield, NSW[(4)]	15 Sep 1997	82,963	30 Jun 2006	113,000	98,700
10-12 Pike Street, Rydalmere, NSW[(6)]	1 Oct 1998	14,262	02 Jun 2006	19,300	17,000
Liverpool Plaza, Liverpool, NSW[(3)]	16 Aug 2004	32,840	30 Jun 2006	37,000	32,600
Macquarie Street, Liverpool, NSW[(3)]	21 Sep 2005	5,451	30 Jun 2006	5,503	–
Moore Street, Liverpool, NSW[(3)]	14 Oct 2005	2,265	30 Jun 2006	2,297	–
Aspley Village Shopping Centre Aspley, QLD[(3)]	15 Feb 2006	16,579	1 Feb 2006	16,579	–
Santos House, Adelaide, SA[(2)]	5 Oct 2004	54,327	30 Jun 2006	51,000	51,000
50 Miller Street, North Sydney, NSW[(2)]	17 Dec 2004	38,349	30 Jun 2006	40,000	38,600
Properties owned by AT and its controlled entities				**366,079**	**317,809**

notes

7. Investment Properties / continued

PROPERTY	ACQUISITION DATE[a]	COST INCLUDING ALL ADDITIONS $'000	INDEPENDENT VALUATION DATE	CONSOLIDATED VALUE 2006 NOTE[b] $'000	2005 $'000
1-5 Lake Drive, Dingley, Melbourne[1]	28 May 2003	11,956	30 Jun 2006	13,300	–
8 Station Street, Wollongong, NSW[2][d]	30 Jun 2003	7,866	30 Jun 2006	12,000	–
367 Peel Street, Tamworth, NSW[3]	22 Feb 2004	11,961	30 Jun 2006	12,700	–
500 Princes Highway,Noble Park,VIC[2]	27 Nov 2003	19,222	30 Jun 2006	19,920	–
31-33 Windorah Avenue, Stafford, QLD[3]	3 Nov 2003	5,109	30 Jun 2006	5,740	–
Lennons Plaza, 66 Queen St, QLD[4]	19 Dec 2003	32,272	30 Jun 2006	39,000	–
23-43 Tattersall Rd, Kings Park, NSW[4]	16 Feb 2004	15,937	30 Jun 2006	17,100	–
26 Savage Street & 681 Curtin Avenue, Pinkenba, QLD[3]	23 Jan 2004	5,040	30 Jun 2006	8,970	–
671 Gympie Rd, Chermside, QLD[1]	17 Dec 2004	4,745	30 Jun 2006	5,900	–
9-14 Yates Street, Mawson Lakes, SA[8]	7 Jun 2005	6,857	30 Jun 2006	5,700	–
Gympie Market Place, Gympie, QLD[1][e]	7 Jun 2004	7,340	30 Jun 2006	7,450	–
29-47 & 18-20 Becker St, Cobar, NSW[3][e]	5 Aug 2004	1,158	30 Jun 2006	1,650	–
208 Howick Street, Bathurst, NSW[4][e]	11 May 2005	3,490	30 Jun 2005	3,490	–
50 Mostyn Street, Castlemaine, VIC[3][e]	11 May 2005	8,091	30 Jun 2006	9,342	–
36-52 National Blvd, Campbellfield, VIC[3]	18 Jul 2005	8,832	30 Jun 2006	9,000	–
29 Queen Street, North Bundaberg, QLD[5][e]	18 Jul 2005	9,201	11 Aug 2005	9,201	–
93 Victoria Street, Eaglehawk, VIC[3][e]	29 Sep 2005	6,150	30 Jun 2006	6,580	–
12 Docker Street, Wangaratta, QLD[4][e]	31 Oct 2005	2,946	30 Jun 2006	2,700	–
Kingscote Kangaroo Island, SA[7][e]	21 Dec 2005	4,337	19 Sep 2005	4,337	–
96-98 Victoria Street, St.George, QLD[1][e]	18 Aug 2005	3,029	30 Jun 2006	2,830	–
293-295 Grt Eastern Highway, Midland WA[4][e]	21 Jun 2006	7,222	1 May 2006	7,223	–
Properties owned by AIT and its controlled entities				**204,133**	**–**
244 Liverpool Road, Ashfield, NSW[4]	26 Mar 1998	2,507			2,507
252 Liverpool Road, Ashfield, NSW[4]	02 Mar 2000	1,107			1,107
254 Liverpool Road, Ashfield, NSW[4]	31 Aug 2001	2,662			2,662
256 Liverpool Road, Ashfield, NSW[4]	29 Sep 1998	820			820
Independent valuation, 244-256 Liverpool Road			30 Jun 2006	6,900	(196)
Project development costs		1,099		–	657
				6,900	7,557
Macarthur Avenue, Pinkenba, Qld				–	3,150
4-8 Jacobs Street, Bankstown[7]	02 Dec 2002	5,161	30 Jun 2006	5,200	4,900
Properties owned by AGHL and its controlled entities			**12,100**	**15,607**	
Non-current – Investment properties				582,312	333,416
Total investment properties				**600,567**	**352,745**

[1] As valued by Knight Frank Pty Limited
[2] As valued by Colliers International Consultancy and Valuation Pty Ltd
[3] As valued by Urbis Property Consultants
[4] As valued by CB Richard Ellis Pty Ltd
[5] As valued by FPD Savills (NSW) Pty Limited
[6] As valued by DTZ Australia
[7] As valued by Carter Property
[8] As valued by Savills (SA) Pty Limited

Notes:

(a) Refers to the date of acquisition by the underlying entity

(b) The aggregated value at 30 June 2006 includes capital expenditures after the last valuation date.

(c) The property at 109 Pitt Street is currently under refurbishment and has been subdivided into strata units. The retail component and the leasehold interest in the car park were sold in prior financial years while the sale of the commercial units continues at 30 June 2006.

(d) The Abacus Income Trust owns 98.4% of the units in the Wollongong Property Trust which owns 8 Station Street, Wollongong.

(e) The Abacus Income Trust owns 100% of the units in Abacus Retail Property Trust which owns 75% of the units in Abacus Independent Retail Property Trust which owns:

Gympie Market Place, Gympie, QLD
29-47 & 18-20 Becker St, Cobar, NSW
208 Howick Street, Bathurst, NSW
50 Mostyn Street, Castlemaine, VIC
93 Victoria Street, Eaglehawk, VIC
96-98 Victoria Street, St.George, QLD
12 Docker Street, Wangaratta, QLD
Kingscote Kangaroo Island, SA
29 Queen Street, North Bundaberg, QLD
Midland, WA

(f) The investment properties are used as security over bank loans.

	CONSOLIDATED VALUE	
Reconciliations Reconciliation of the carrying amounts of investment properties at the beginning and end of the current and previous financial year:	2006 $'000	2005 $'000
Investment properties		
Carrying amount at beginning of the financial year	352,744	219,526
Additions	47,788	123,930
Acquisition through business combinations	179,596	–
Net revaluation increments	40,507	12,060
Disposals/transfer	(20,068)	(2,771)
Carrying amount at end of the financial year	**600,567**	**352,745**

notes

8. Property, plant and equipment

	CONSOLIDATED 2006 $'000	2005 $'000
Land and buildings		
At 1 July, net of accumulated depreciation	–	–
Additions	130,235	–
Revaluations	1,049	–
Acquisition through business combination	30,424	–
Depreciation charge for the year	(543)	–
At 30 June, net of accumulated depreciation	161,165	–
Cost or fair value	161,708	–
Accumulated depreciation	(543)	–
Net carrying amount at end of period	161,165	–
Plant and equipment		
At 1 July, net of accumulated depreciation	133	171
Additions	77	36
Disposals	–	(10)
Depreciation charge for the year	(76)	(64)
At 30 June, net of accumulated depreciation	134	133
Cost or fair value	637	560
Accumulated depreciation	(503)	(427)
Net carrying amount at end of period	134	133

Recoverable amount of land and buildings
Land and Buildings relate to hotel assets acquired during the year including the Rydges Esplanade Hotel, Cairns, the Chateau on the Park Hotel, Christchurch, New Zealand, the Forest Lodge Hotel and Dry Dock Hotel in Sydney and the Mariners Lodge Hotel in Batemans Bay, NSW. In addition, land and buildings include the car park at 109 Pitt Street, Sydney.

Independent valuations were obtained upon acquisition and subsequently to assess the recoverable amount of the assets.

PROPERTY	ACQUISITION DATE[1]	COST INCLUDING ALL ADDITIONS $'000	INDEPENDENT VALUATION DATE	CONSOLIDATED VALUE 2006 $'000	2005 $'000
Resort hotel properties					
Rydges Esplanade Hotel, Cairns, QLD[2]	1 Mar 2005	17,993	30 Jun 2005	17,499	–
Tradewinds Esplanade Hotel, Cairns, QLD[3]	2 Mar 2006	36,459	28 Feb 2006	36,334	–
Chateau on the Park, Christchurch, NZ[4]	26 May 2006	22,321	10 Mar 2006	22,162	–
Novotel Twin Waters Resort, Sunshine Coast, QLD[5]	28 Jun 2006	60,915	31 Jan 2006	60,915	–
Other hotel properties					
Forest Lodge Hotel, Glebe, NSW[6]	28 Nov 2005	2,432	2 Jun 2005	2,428	–
Mariners Lodge Hotel, Batemans Bay, NSW[6]	29 Nov 2005	4,543	25 Nov 2005	4,543	–
Dry Dock Hotel, Balmain, NSW[6]	28 Feb 2006	3,184	27 Jan 2006	3,184	–
Other					
109 Pitt Street, Sydney – Car park[7]	22 Jun 1999	12,192	30 Jun 2006	14,100	–
Office equipment		636		134	133
				161,299	**133**

(1) Refers to the date of acquisition by the underlying entity

(2) Rydges Esplanade Resort is included in the property portfolio pursuant to the merger with Abacus Diversified Income Fund implemented on 31 March 2006. The property is 75% owned by the Group as a tenant in common with a 25% joint venture partner and through a 75% owned subsidiary. The property was independently valued by Colliers International on 30 June 2005.

(3) Tradewinds Esplanade Hotel was acquired on 2 March 2006 and was Independently valued by CB Richard Ellis dated February 2006;

(4) Chateau on the Park Hotel was acquired on 26 May 2006 for NZ$27.0 million and was independently valued by CB Richard Ellis dated 10 March 2006 at NZ$28.5 million. NZ Dollar amounts have been converted to Australian dollars at an exchange rate of A$1.00 to NZ$1.2159;

(5) Novotel Twin Waters Resort was acquired on 28 June 2006 and was Independently valued by Jones Lang LaSalle dated 31 January 2006;

(6) Forest Lodge Hotel was independently valued by Roberts Baker Magin dated 2 June 2005, the Mariners Lodge Hotel and the Dry Dock Hotel were independently valued by Own Property Valuations dated 25 November 2005 and 27 January 2006 respectively.

(7) 109 Pitt Street car park was independently valued by FDP Savills dated 30 June 2006.

The useful life of the assets was estimated as follows both for 2005 and 2006:

Buildings	40 years
Plant and equipment	5 to 15 years

notes

9. Contributed equity and reserves

(a) Issued stapled securities

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
Issued capital	590,748	360,600	20,725	12,043
Finance and issue costs	(18,245)	(8,775)	–	–
Total contributed equity	**572,503**	**351,825**	**20,725**	**12,043**

(b) Movements in contributed equity for the year	STAPLED SECURITIES NUMBER $'000	STAPLED SECURITIES VALUE $'000	SHARES NUMBER $'000	SHARES VALUE $'0000
At 1 July 2004	270,420	266,334	270,420	6,662
– security purchase plan	14,249	16,815	14,250	998
– institutional equity raising	58,167	71,130	58,166	4,383
– less institutional equity raising transaction costs	–	(2,454)	–	–
At 1 July 2005	342,836	351,825	342,836	12,043
– net impact of merger with ADIF[1]	79,310	96,198	79,310	79
– institutional equity raising	92,636	125,500	92,636	8,452
– distribution reinvestment plan	1,600	2,257	1,600	151
– less institutional equity raising transaction costs	–	(3,277)	–	–
End of the financial year	**516,382**	**572,503**	**516,382**	**20,725**

(1) Net impact of merger with ADIF represents the aggregation of outstanding contributed equity (net of issue costs) as at 31 March 2006 (merger implementation date).

Since the end of the financial year:

- on 3 July 2006, 13,842,334 stapled securities were issued for a cash consideration of $19.5 million pursuant to completion of a Security Purchase Plan and has been approximately allocated among the Group stapled entities as $1.1 million allocated to AGHL, $15.3 million allocated to AT, $2.9 million allocated to AIT and $0.2 million allocated to AGHL;
- on 10 August 2006, 2,217,185 stapled securities were issued for a cash consideration of $3.3 million pursuant to the Abacus Property Group Distribution Reinvestment Plan and has been approximately allocated among the Group stapled entities as $0.2 million allocated to AGHL, $2.5 million allocated to AT and $0.6 million allocated to AIT.

Securityholders have the right to receive dividends from AGHL and AGPL, as declared, and distributions from AT and AIT, and in the event of winding up of the Group entities, to participate in the proceeds from sale of all surplus assets in proportion to the number of securities held.

Holders of securities can vote their shares and units in accordance with the Corporations Act, either in person or by proxy, at a meeting of either AGHL, AGPL, AT and AIT (as the case maybe).

(c) Retained profits/(accumulated losses)	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
Balance 1 July 2005	51,145	10,012	646	3,563
Application of AASB 132 and 139 effective 1 July 2005	(4,869)	–	–	–
Initial retained earnings contributed by ADIF pursuant to the merger	1,148	–	–	–
Distributions from subsidiaries taken directly to equity	–	–	4,599	–
Reversal of prior years' goodwill amortisation	–	–	(3,106)	–
Recognition of unearned revenue for amortisation	(380)	–	–	–
Revaluation of investment properties	(858)	26,398	–	1,652
Net profit attributable to securityholders	101,236	51,953	(6,590)	(4,569)
Adjustment resulting from changes in associated entities	165	(279)	(25)	–
Total available for appropriation	147,587	88,084	(4,476)	646
Distributions provided for or paid	(50,961)	(36,939)	–	–
Balance 30 June 2006	**96,626**	**51,145**	**(4,476)**	**646**

10. Merger with Abacus Diversified Income Fund

On 14 February 2006, securityholders in both the APG and ADIF agreed, by special resolution, to merge the two entities effective on 31 March 2006. On 20 February 2006, the Supreme Court of New South Wales gave orders that Abacus was justified in implementing the merger proposal.

The merger was implemented on 31 March 2006 and resulted in AGPL and AIT being listed on the ASX alongside AGHL and AT under a stapled security structure. The merger was effected by a restructure of the shares on issue and units on issue in AGPL and AIT respectively, an aggregation of the net assets of both APG and ADIF and the issuance of an appropriate number of securities in each respective entity.

The net assets of ADIF as at 31 March were essentially aggregated with APG to form the expanded APG at that date.

notes

10. Merger with Abacus Diversified Income Fund / continued

The net assets of ADIF as at the date of implementation of the merger are set out below:

	NET ASSET VALUE $'000
Assets	
Cash	3,082
Receivables	4,627
Investment properties	179,596
Property, plant and equipment	30,421
Mortgage investment loans	22,948
Intangible management rights	1,064
Other assets	1,669
Total assets	**243,407**
Liabilities	
Creditors and payables	4,274
Provisions	2,646
Interest bearing liabilities and loans	137,168
Total liabilities	**144,088**
Net assets	**99,319**
Contributed equity (net of issue costs)	97,271
Retained earnings	1,148
Minority interest	900
Total equity	**99,319**

To facilitate the merger, a series of stapling distributions were made by AT and AIT to their respective unitholders. AIT paid a stapling distribution of approximately $61 million to unitholders on the record date which was then applied to acquire approximately 79.3 million units in AT and approximately 79.3 million shares in AGHL on behalf of existing ADIF investors. AT paid a stapling distribution of approximately $69 million to unitholders on the record date which was then applied to acquire approximately 437.1 million units in AIT and approximately 437.1 million shares in AGPL on behalf of existing APG investors.

The result of making the stapling distributions and subscription for shares and units in respective Group entities was that each of AGHL, AT, AGPL and AIT had shares or units (as the case may be) on issue at 31 March 2006 of 516,381,609 and effectively redistribute contributed equity among the stapled entities.

11. Events after the balance sheet date

On 3 July 2006, the Group completed a capital raising via a Security Purchase Plan of $19.5 million and issued approximately 13.8 million securities at $1.41 per security. Of the total $19.5 million capital raised, approximately $1.1 million has been allocated to AGHL, approximately $15.3 million has been allocated to AT, approximately $2.9 million has been allocated to AIT and approximately $0.2 million has been allocated to AGPL.

In July 2006, AGHL, through a 50% owned joint venture project trust, exchanged contracts to acquire a parcel of potential development land in Dandenong, Victoria for an aggregate purchase price of $18.9 million (with final settlement deferred until July 2007). In addition, AGHL entered into bank guarantee obligations (for approximately $4.5 million) on behalf of certain joint venture project entities and also entered into a contract settlement performance guarantee obligation (for approximately $9 million) in respect of the Dandenong land purchase noted above.

During August 2006, AT completed the acquisition of a bulky goods retail property at Moorabbin, Victoria for a purchase price of approximately $37 million. In addition, the AIT, through a 75% subsidiary, exchanged contracts to acquire a small shopping centre in Townsville, Queensland for approximately $7 million. AIT also exchanged contracts to sell its property at Kings Park, NSW for approximately $20 million. The sale is expected to be completed in early September 2006.

Other than as disclosed in this report and to the knowledge of directors, there has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may effect, the Group's operations in future financial years, the results of those operations or the Group's state of affairs in future financial years.

notes

12. Segment information

The consolidated entity operates within four business segments within the property industry, being property rental and sales, hotel business, other property-based investments and funds management. The property rental and sales operations comprise the leasing and maintenance of commercial, retail and industrial properties and the conversion of commercial properties into commercial strata units intended for sale. The hotel business comprise the cooperation of hotels and pubs. The other property-based investments comprise mortgage lending and investment in joint venture activities and in securities of other listed and unlisted property trusts. Funds management comprise property and funds management and other consulting activities. Revenue is derived from property rentals, interest, fees and property sales.

BUSINESS SEGMENTS YEAR ENDED 30 JUNE 2006	PROPERTY RENTAL & SALES $'000	HOTEL BUSINESS $'000	OTHER PROPERTY-BASED INVESTMENTS $'000	FUNDS MANAGEMENT $'000	TOTAL $'000
Revenue					
Revenue from external customers	87,480	9,058	28,202	12,837	137,577
Bank interest					961
Total consolidated revenue					**138,538**
Results					
Segment results	101,230	982	25,077	8,967	136,256
Interest income					961
Unallocated expenses					(2,200)
Profit/(loss) before tax and finance costs					135,017
Finance costs					(32,413)
Profit/(loss) before income tax and minority interest					102,604
Income tax expense					(744)
Net profit for the year					**101,860**
Assets					
Segment assets	763,343	144,541	248,157	5,290	1,161,331
Total assets					**1,161,331**
Liabilities					
Segment liabilities	47,954	2,555	22,487	3,615	76,611
Interest bearing liabilities					411,609
Total liabilities					**488,220**
Other segment information:					
Depreciation and amortisation	1,302	296	13	77	1,688

BUSINESS SEGMENTS YEAR ENDED 30 JUNE 2005	PROPERTY RENTAL & SALES $'000	OTHER PROPERTY-BASED INVESTMENTS $'000	FUNDS MANAGEMENT $'000	TOTAL $'000
Revenue				
Revenue from customers outside the Group	46,350	19,499	8,894	74,743
Bank interest				1,165
Total consolidated revenue				**75,908**
Results				
Segment results	33,740	18,000	9,200	60,940
Unallocated result/(expense)				1,165
Profit/(loss) before tax and finance costs				62,105
Finance costs				(9,251)
Profit/(loss) before income tax and minority interest				52,854
Income tax expense				(223)
Net profit for the year				**52,631**
Assets				
Segment assets	374,167	183,128	36,266	593,561
Unallocated assets				614
Total assets				**594,175**
Liabilities				
Segment liabilities	3,319	2	2,908	6,229
Unallocated liabilities				183,353
Total liabilities				**189,582**
Other segment information				
Depreciation and amortisation	200	–	74	274

directors' declaration

In accordance with a resolution of the directors, we state that:

(1) in the opinion of the directors:

(a) the concise financial statements and notes of the company and the consolidated entity are in accordance with the Corporations Act 2001, including :

(i) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(2) 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 period ending 30 June 2006.

On behalf of the board of Abacus Group Holdings Limited

JOHN THAME
Chairman

DAVID BASTIAN
Managing Director

Sydney, 1 September 2006

Ernst & Young

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
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independent audit report
to members of abacus group holdings limited

SCOPE

The concise financial report and directors' responsibility
The concise financial report comprises the balance sheet, income and distribution statements, statement of recognised income and expense, cash flows statement, accompanying notes to the financial statements and the directors' declaration for the consolidated entity for the year ended 30 June 2006. The consolidated entity comprises both Abacus Group Holdings Limited (the company) and the entities it controlled during the year.

The directors of the company are responsible for preparing a concise financial report that complies with Accounting Standard AASB 1039 Concise Financial Reports, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report.

Audit approach
We conducted an independent audit on the concise financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 Concise Financial Reports.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, the information to provide evidence supporting that the amounts and disclosures in the concise financial report are consistent with the full financial report; and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report that were not directly derived from the full financial report.

We have also performed an independent audit of the full financial report of the company for the year ended 30 June 2006. Our audit report on the full financial report was signed on 1 September 2006, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

Ernst & Young

independent audit report
to members of abacus group holdings limited

Independence
We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, signed on1 September 2006 a copy of which is included in the Directors' Report.

Audit opinion
In our opinion the concise financial report and directors declaration of Abacus Group Holdings Limited complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Ernst & Young

ERNST & YOUNG

MARK OSULLIVAN
Partner

Sydney, 1 September 2006

abacus trust

DIRECTORY

Responsible entity
Abacus Funds Management Limited
Level 34, Australia Square
264-278 George Street
SYDNEY NSW 2000
Tel (02) 9253 8600
Fax (02) 9253 8616
Website www.abacusproperty.com.au

Directors of responsible entity
John Thame, Chairman
Frank Wolf, Deputy Chairman (executive)
David Bastian, Managing Director (executive)
Dennis Bluth
Phillip Green
Malcolm Irving

Company secretary
Sean O'Donoghue

Custodian
Perpetual Trustee Company Limited
Level 12, Angel Place
123 Pitt Street
SYDNEY NSW 2000

Auditor
Ernst & Young
Ernst & Young Centre
680 George Street
SYDNEY NSW 2000

Compliance plan auditor
Ernst & Young
Ernst & Young Centre
680 George Street
SYDNEY NSW 2000

Registry
Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
SYDNEY NSW 2000
Tel (02) 1800 635 323 Toll free
Fax (02) 8234 5050

at

contents

It is recommended that this annual financial report should be read in conjunction with the annual financial reports of Abacus Property Group, Abacus Income Trust and Abacus Group Projects Limited as at 30 June 2006. 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.

directors' report

DIRECTORS REPORT

The directors of Abacus, the responsible entity of the Abacus Trust (AT or the Trust), submit their report for the Trust for the year ended 30 June 2006 and the auditors report thereon.

DIRECTORS

The directors of the responsible entity in office during the financial year and until the date of this report are set out below:

John Thame	Chairman
Frank Wolf	Deputy Chairman (executive)
David Bastian	Managing Director (executive)
Dennis Bluth	Non-executive
Phillip Green	Non-executive
Malcolm Irving	Non-executive

PRINCIPAL ACTIVITIES

The principal activities of the Trust during the course of the year ended 30 June 2006 include investment in commercial, retail and industrial properties and mortgage lending.

TRUST STRUCTURE

The Abacus Property Group (APG) represents the consolidation of Abacus Group Holdings Limited (AGHL), Abacus Trust (AT), Abacus Income Trust (AIT) and Abacus Group Projects Limited (AGPL). Units in AT and AIT and shares in AGHL and AGPL have been stapled together so that neither can be dealt with without the other. An APG security consists of one unit in AT, one unit in AIT, one share in AGHL and one share in AGPL. A transfer, issue or reorganisation of a unit or share in any of the component parts is accompanied by a transfer, issue or reorganisation of a unit or share in each of the other component parts.

AT is an Australian registered managed investment scheme. Abacus, the responsible entity of AT, is incorporated and domiciled in Australia and is a wholly owned subsidiary of AGHL. The registered office and principal place of business of AGHL and of Abacus is located at Level 34 Australia Square, 264-278 George Street, Sydney NSW 2000.

MERGER OF ABACUS PROPERTY GROUP AND ABACUS DIVERSIFIED INCOME FUND

On 31 March 2006, APG implemented a merger with the unlisted ADIF. To effect the merger, AT made a stapling distribution to its unitholders to facilitate the acquisition of units in AIT and shares in AGPL. Similarly, AIT made a stapling distribution to facilitate the acquisition of units in AT and shares in AGHL by its unitholders. As a result of the stapling distribution made by AIT, 79,309,591 additional AT units were issued to effect the merger. The stapling distributions were effectively returns of capital and AT's contributed equity decreased by $9.1 million as a net result of making the stapling distributions.

OPERATING PROFIT

AT earned a net profit attributable to unitholders of $82.2 million for the year ended 30 June 2006 (June 2005: $50.7 million).

The Trust earned a net profit attributable to unitholders (excluding net property and derivative financial instruments revaluation movements) of $54.0 million (June 2005: $37.8 million).

EARNINGS PER UNIT

	YEAR ENDED 30 JUNE 2006 CENTS	YEAR ENDED 30 JUNE 2005 CENTS
Basic and diluted earnings per unit	19.66	15.80
Basic and diluted earnings per unit (excluding revaluation movements in investment properties and derivative financial instruments)	12.93	11.77

As part of effecting the merger of APG and ADIF on 31 March 2006, an additional 79,309,591 units were issued. No additional net income was directly contributed to AT as a result of effecting the merger. Excluding the impact on weighted average units on issue resulting from the additional units issued pursuant to the merger, earnings per unit for the year ended 30 June 2006 would have been 20.63 cents per unit.

DISTRIBUTIONS

The Trust paid cash distributions to unitholders of $45.4 million (11.7 cents per unit) during the year ended 30 June 2006 (June 2005: $35.1 million; 11.50 cents per unit). In addition, a distribution of $15.5 million (3.0 cents per unit) was declared and provided for in respect of the quarter ended 30 June 2006.

AT funded all distributions to APG securityholders for the year ended 30 June 2006. The full year distribution of 11.80 cents per unit reflects a 3.5% increase over the full year distribution of 11.40 cents per unit for the year ended 30 June 2005.

Distributions were paid in respect of the year ended 30 June 2006 as follows:

	CENTS	$'000
Interim distribution paid 10 November 2005	2.90	11,179
Interim distribution paid 10 February 2006	2.90	11,179
Interim distribution paid 10 May 2006	3.00	13,112
Final distribution paid 10 August 2006	3.00	15,491
Total	**11.80**	**50,961**

directors' report

REVIEW OF OPERATIONS

Trust Overview

The Trust operates wholly within Australia and holds an investment portfolio of commercial, retail and industrial properties and mortgage loan investments.

Operating Results for the Period

Investment property portfolio:

- The Trust acquired three additional properties for approximately $24 million, being a retail property in Aspley, Brisbane and two small retail properties adjoining Liverpool Plaza in Sydney.

  In addition, the Trust acquired a 50% interest in a group of entities that hold direct interests in the Virginia Park industrial estate in Melbourne, Victoria.

  These acquisitions bring the value of the total investment property portfolio to $418 million at 30 June 2006;
- In addition, the Trust has contracted to acquire a bulky goods retail centre in Moorabbin, Victoria for approximately $37 million.
- The revaluation of ten existing properties in the portfolio resulted in a net increase of approximately $23 million in the carrying value of investment properties;
- In January 2006, the Trust completed the sale of an investment property in Glebe, NSW realising a profit of approximately $2 million.

Mortgage lending:

- The Abacus Mortgage Fund increased the size of its mortgage book (including accrued interest) by $43 million to $100 million at 30 June 2006 compared to $57 million at 30 June 2005.

  The Abacus Mortgage Fund had an average loan balance of approximately $4.5 million and average term of approximately 3 months. Loans are provided to both property developers and investors.
- In addition, AT advanced significant funds to AGHL and its subsidiaries to support the growth of its funds and property management activities, where assets under management (combining assets owned by APG and assets managed by Abacus on behalf of external investors) have grown to approximately $1.4 billion.

AT provided loan funds to settle acquisitions and provide working capital in respect of managed investment schemes for which Abacus is the responsible entity. As at 30 June 2006, AT had advanced approximately $65 million to associated Group entities in respect of these schemes, including the Abacus Storage Fund and Abacus Prime Property Fund, which were established during the year.

Review of financial condition

During the year ended 30 June 2006, the contributed equity of the Trust increased $107 million to $447 million compared to $340 million at 30 June 2005.

APG undertook a number of capital raisings during the year through institutional placements in August 2005 for $55 million (42.6 million stapled securities at $1.29) and in February 2006 for $70.5 million (50.0 million stapled securities at $1.41). Of the total $126 million capital raised, approximately $114 million has been allocated to AT (after issue costs) and $8 million allocated to AGHL. This additional capital was directed towards acquisition of property assets for the Group and for growth of the funds management business (particularly the Abacus Prime Property Fund, Abacus Storage Fund and proposed Hospitality Fund). In addition, in early July 2006, APG completed a $19.5 million capital raising via a Security Purchase Plan (13.8 million securities at $1.41).

Total equity increased net $133 million to $514 million at 30 June 2006 compared to $381 million at 30 June 2005. Net tangible assets per unit was $1.00 at 30 June 2006. Excluding the impact of the additional units issued and reduction in contributed equity to effect the merger of APG and ADIF noted above, net tangible assets per unit increased 6.3% to $1.18 at 30 June 2006 compared to $1.11 at 30 June 2005.

At 30 June 2006, existing bank loan facilities totalled approximately $192 million, of which $181 million was drawn. The Trust manages interest rate exposure on debt facilities through the use of interest rate swap contracts. At 30 June 2006, approximately $139 million or 72% of total debt facilities were covered by interest rate swap arrangements at an average interest rate (including bank margin) of 7.06% and an average term to maturity of 6.8 years.

The Trust's net debt gearing ratio (calculated as total interest bearing liabilities less cash assets divided by total assets) was 26.5% at 30 June 2006 compared to 29.6% at 30 June 2005.

UNITS ON ISSUE

At 30 June 2006, 516,381,609 units in AT were on issue (2005: 342,836,128). Units on issue increased 173,545,481 during the year ended 30 June 2006 - including 79,309,591 issued as part of effecting the merger of APG and the previously unlisted ADIF, implemented on 31 March 2006.

FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

AT paid a management fee out of scheme property to the responsible entity of $1.5 million (2005: $1.2 million) for the year ended 30 June 2006. In addition, AT paid property management fees to an associate of the responsible entity, Abacus Property Services Pty Limited of $0.4 million (2005: $0.4 million) for the year ended 30 June 2006.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Trust occurred during the financial year:

- Total equity increased by $133 million to $514 million at 30 June 2006 compared to $381 million at 30 June 2005.
- Acquisition of three additional properties and invested in a 50% interest in entities that own an industrial property in Melbourne, Victoria for an aggregate $418 million.
- Revaluations of properties during the year resulted in a net increase in the carrying value of investment properties of approximately $23 million.
- Net assets increased $133 million reflecting the impact of various capital raisings and property revaluations during the year.
- 79,309,591 additional units in the Trust were issued and contributed equity decreased net $9 million as a result of stapling distributions made by AT and AIT to effect the merger of APG and ADIF on 31 March 2006.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 3 July 2006, the Group completed a capital raising via a Security Purchase Plan for $19.5 million and issued approximately 13.8 million securities at $1.41 per security. Of the total $19.5 million capital raised, approximately $15.3 million has been allocated to AT, approximately $1.1 million has been allocated to AGHL, approximately $2.9 million has been allocated to AIT and approximately $0.2 million has been allocated to AGPL.

During August 2006, the Trust completed the acquisition of a bulky goods retail property at Moorabbin, Victoria for an aggregate purchase price of approximately $37 million and exchanged contracts to acquire a 50% interest in a commercial office property in Adelaide for approximately $5 million.

Other than as disclosed in this report and to the knowledge of directors, there has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect, the Trust's operations in future financial years, the results of those operations or the Trust's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The directors have excluded from this report any other information on the likely developments in the operations of the Trust and the expected results of those operations in future financial years which are not of a material nature or would in the directors' view be likely to result in unreasonable prejudice to the operation of the Trust.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Trust's environmental responsibilities, such as waste removal and water treatment, have been managed in compliance with all applicable regulations and licence requirements and in accordance with industry standards. No breaches of requirements or any environmental issues have been discovered and brought to the board's attention. There has been no known significant breaches of any environmental requirements applicable to the Trust.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The responsible entity of the Trust, Abacus, has paid an insurance premium in respect of a contract insuring all directors and full time executive officers and secretary. The terms of this policy prohibit disclosure of the nature of the risks insured or the premium paid.

REGISTER OF UNITHOLDERS

The register of unitholders has, during the year ended 30 June 2006, been properly drawn up and maintained so as to give a true account of the unitholders of the Trust.

directors' report

AUDITORS INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is shown on the following page.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the responsible entity support and adhere to the principles of corporate governance. The Group's Corporate Governance Statement is contained in the Corporate Governance section of the annual report.

ROUNDING

The amounts contained in this report and in the annual financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Trust under ASIC Class Order 98/0100. The Trust is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

Abacus Funds Management Limited (ABN 66 007 415 590)

JOHN THAME
Chairman

FRANK WOLF
Deputy Chairman

Sydney, 1 September 2006

ERNST & YOUNG

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auditor's independence declaration

to the directors of abacus funds management limited as the responsible entity for abacus trust

In relation to our audit of the financial report of Abacus Trust for the financial year ended 30 June 2006, 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

ERNST & YOUNG

MARK OSULLIVAN
Partner

Sydney, 1 September 2006

consolidated income and distribution statements

YEAR ENDED 30 JUNE 2006

	NOTES	2006 $'000	2005 $'000
Revenue			
Rental income		35,959	28,439
Finance income	3(a)	37,770	24,237
Profit from equity accounted investments		255	–
Income from distributions		–	–
Total revenue		**73,984**	**52,676**
Depreciation and amortisation expense	3(e)	(653)	(346)
Finance costs	3(d)	(6,421)	(9,077)
Other expenses	3(f)	(9,232)	(5,449)
Profit from operating activities		**57,678**	**37,804**
Net realised gains on investments	3(b)	1,767	–
Net unrealised gains on investments	3(c)	22,727	12,935
Net profit attributable to unitholders of Abacus Trust		**82,172**	**50,739**

	CENTS	CENTS
Basic and diluted earnings per unit	**19.66**	**15.80**

	2006 $'000	2005 $'000
STATEMENT OF DISTRIBUTION		
Net profit attributable to unitholders	82,172	37,804
Net transfer of undistributed income to unitholders' funds	(31,211)	(865)
Distributions paid and payable	**50,961**	**36,939**
Distribution per unit (cents per unit)	11.80	11.40
Weighted average number of securities ('000)	418,056	321,169

consolidated balance sheet

AS AT 30 JUNE 2006

	2006 $'000	2005 $'000
Current assets		
Cash and cash equivalents	11,843	1,564
Trade and other receivables	6,789	2,260
Other financial assets	83,401	56,506
Other	1,102	1,355
Total current assets	**103,135**	**61,685**
Non–current assets		
Investment properties	366,079	317,808
Investments accounted for using the equity method	52,411	–
Other financial assets	250,214	180,029
Other	3,410	1,317
Total non-current assets	**672,114**	**499,154**
Total assets	**775,249**	**560,839**
Current liabilities		
Trade and other payables	43,559	11,985
Interest-bearing loans and borrowings	8,250	26,750
Total current liabilities	**51,809**	**38,735**
Non-current liabilities		
Interest-bearing loans and borrowings	209,533	141,030
Total non-current liabilities	**209,533**	**141,030**
Total liabilities	**261,342**	**179,765**
Net assets	**513,907**	**381,074**
Equity		
Contributed equity	446,550	339,782
Undistributed income	67,357	41,292
Total equity	**513,907**	**381,074**

consolidated statement of recognised income and expense

YEAR ENDED 30 JUNE 2006

	2006 $'000	2005 $'000
Application of AASB 132 and AASB 139	(5,146)	–
Net unrealised gains on investments	–	–
Net income recognised directly in equity	**(5,146)**	**–**
Profit for the period	82,172	50,739
Total recognised income and expense for the period	**77,026**	**50,739**

consolidated cash flow statement

YEAR ENDED 30 JUNE 2006

	2006 $'000	2005 $'000
Cash flows from operating activities		
Income receipts	27,640	24,610
Interest received	8,630	7,431
Audit fees	(39)	(39)
Responsible entity fees paid	(1,518)	(1,159)
Custody fees paid	(91)	(69)
Interest paid	(11,251)	(8,792)
Operating payments	(62)	(757)
Net cash flows from operating activities	**23,309**	**21,225**
Cash flows from investing activities		
Payments for mortgage lending	(327,342)	(196,336)
Proceeds from settlement of mortgage loans	259,846	150,371
Purchase of plant and equipment	(2,856)	–
Purchase of investment properties	(38,115)	(125,879)
Disposal of investment properties	14,035	–
Acquisition of interest in JV	(13,605)	–
Net cash flows used in investing activities	**(108,037)**	**(171,844)**
Cash flows from financing activities		
Proceeds from issue of units	130,436	80,110
Payment of issue costs	(3,277)	–
Repayment of borrowings	(91,000)	(57,000)
Proceeds from borrowings	104,260	140,780
Distributions paid	(45,412)	(35,114)
Net cash flows from financing activities	**95,007**	**128,776**
Net increase in cash and cash equivalents	**10,279**	**(21,843)**
Cash and cash equivalents at beginning of period	1,564	23,407
Cash and cash equivalents at end of period	**11,843**	**1,564**

notes to the concise financial statements

1. Summary of significant accounting policies

(a) Listed property trust units

The constitution of AT was amended to remove the finite maximum term of the Trust, which allows unitholders' funds to continue to be treated as equity in accordance with *AASB 132 Financial Instruments: Presentation & Disclosure*. AT deferred the adoption of *AASB 132 Financial Instruments: Presentation & Disclosure* and *AASB 139 Financial Instruments: Recognition and Measurement* to 1 July 2005. Accordingly, AASB 132 and AASB 139 were not applied to the comparatives and the Trust's units were accounted for as equity.

(b) Basis of preparation

The concise financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards.

The concise financial report has been derived from the annual financial report but does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Trust as the full financial report.

The concise financial report should be read in conjunction with the annual financial report of APG, AGPL and AIT. It is also recommended that the annual financial report be considered together with any public announcements made by the APG during the year ended 30 June 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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 which are accounted for using the equity method, and certain investments measured at net market value. The carrying values of recognised assets and liabilities that are covered by interest rate swap arrangements are adjusted to record changes in the fair values attributable to the risks that are being covered by derivative financial instruments.

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 Trust under ASIC Class Order 98/100. The Trust is an entity to which the class order applies.

(c) Statement of compliance

This financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard (AIFRS). Compliance with AIFRS has ensured that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS). This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of *AASB 132 Financial Instruments: Disclosure and Presentation* and *AASB 139 Financial Instruments: Recognition and Measurement.*

The Trust has adopted the exemption under *AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB 132 and AASB 139 to the comparative period.

Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in Note 2.

As at 30 June 2006, a number of accounting standards have been issued with applicable commencement dates subsequent to year end. The impact of these accounting standards will not materially alter the accounting polices of the Trust.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of AT and its subsidiaries as from the date the AT obtained control until such time control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent trust, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Trust and cease to be consolidated from the date on which control is transferred out of the Trust. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Trust has control.

2. Impact of adopting AIFRS

For all periods up to and including the year ended 30 June 2005, the Trust prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Trust is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Trust has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in Note 2. In preparing these financial statements, the Trust has started from an opening balance sheet as at 1 July 2004, the Trust's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by *AASB 1 First-time adoption of AIFRS*.

This note explains the material adjustments made by the Trust in restating its AGAAP balance sheet as at 1 July 2004, its previously published AGAAP Balance Sheet and Income Statement for the year ended 30 June 2005, and adjustments to opening total equity upon the adoption of AASB 132 and 139 on 1 July 2005.

a) AASB 1 transitional exemptions

The Trust has made its election to the transitional exemptions allowed by *AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards* as follows:

i) *AASB 3 Business Combinations* was not applied retrospectively to business combinations undertaken before the date of transition to AIFRS.

ii) The Trust has elected to defer the application of *AASB 132 Financial Instruments: Presentation and Disclosure* and *AASB 139 Financial Instruments: Recognition and Measurement*. As a result of the deferral, the opening retained earnings at 1 July 2005 has been adjusted to account for the application of *AASB 132 Financial Instruments: Presentation and Disclosure* and *AASB 139 Financial Instruments: Recognition and Measurement* as at that date. Refer Note 2(e) for the reconciliation between 30 June 2005 closing balance and 1 July 2005 opening balance.

notes

2. Impact of adopting AIFRS / continued

b) Reconciliation of profit after tax between AGAAP and AIFRS	YEAR ENDED 30 JUNE 2005 $'000
Profit after tax as previously reported	37,340
Recognition of leasing incentives for amortisation[(1)]	464
Revaluation of investment properties[(2)]	12,935
Profit after tax under AIFRS	**50,739**

(1) Lease incentives including rent-free periods that have not been recognised previously have been recognised and will be amortised over the lease term under *AASB 117 Leases* and *UIG Interpretation 115 Operating Leases – Incentives*.

(2) Fair value movements in investment properties are charged to the income statement under *AASB 140 Investment Property*, but were taken to the asset revaluation reserve under previous AGAAP. The gains from the fair value adjustment resulted in an increase in profit for the year.

c) Reconciliation of total equity between AGAAP and AIFRS	30 JUNE 2005 $'000	1 JULY 2004 $'000
Total equity under AGAAP	380,610	287,164
Adjustments to equity:		
Asset revaluation reserve[(1)]	37,680	24,745
Transfer of asset revaluation reserve to retained earnings[(1)]	(37,680)	(24,745)
Amortisation of leasing incentives[(2)]	464	413
Total equity under AIFRS	**381,074**	**287,577**

(1) Asset revaluation reserve relating to investment properties has been reclassified to retained earnings. Gains or losses on revaluation of investment properties are recognised in profit or loss for the period in which they arise under *AASB 140 Investment Property*.

(2) Lease incentives including rent-free periods that have not been recognised previously have been recognised and will be amortised over the lease term under *AASB 117 Leases* and *UIG Interpretation 115 Operating Leases – Incentives*.

d) Cashflow statement under AIFRS

There are no material differences between the AGAAP and AIFRS cash flow statements.

e) Reconciliation of total equity opening balance upon adoption of AASB 132 and 139 on 1 July 2005

As a result of applying *AASB 132 Financial Instruments: Presentation and Disclosure* and *AASB 139 Financial Instruments: Recognition and Measurement* on 1 July 2005, various adjustments have been made between reserves and retained earnings.

	TOTAL EQUITY 1 JULY 2005 $'000
Total equity as at 30 June 2005	381,074
Interest rate swap arrangements not covered by hedge accounting[(1)]	(4,869)
Recognition of unearned revenue for amortisation	(277)
Total opening equity under AIFRS as at 1 July 2005	**375,928**

(1) Interest rate derivatives are determined to be ineffective as they do not meet the hedge effectiveness criteria under *AASB 139 Financial Instruments: Recognition and Measurement*, accordingly, the derivatives are measured at fair value and the gains and losses are recorded in the income statement. Under AGAAP, interest rate derivatives were accounted for on an accrual basis.

3. Revenue and expenses

	2006 $'000	2005| $'000
(a) Finance income		
Interest on mortgage loans	37,088	23,278
Bank interest	682	959
Total finance income	**37,770**	**24,237**
(b) Net realised gains on investments		
Sale of investment properties	1,950	–
Expenses on sale of investment properties	(183)	–
Total net realised gains on investments	**1,767**	**–**
(c) Net unrealised gains on investments		
Change in fair value of investment properties	22,727	12,935
Total unrealised gains on investments	**22,727**	**12,935**
(d) Finance costs		
Interest on bank loans	11,495	8,851
Amortisation of finance costs	322	226
Total finance costs	11,817	9,077
Unrealised loss (gains) on interest rate swaps	(5,396)	–
Total finance costs	**6,421**	**9,077**
(e) Depreciation and amortisation		
Amortisation of leasing incentives	653	346
(f) Other expenses		
Property outgoings	7,332	4,873
Bad and doubtful debts	21	(880)
Auditor's remuneration	62	35
Custody fees	98	77
Registry maintenance costs	60	26
Other	1,659	1,318
Total other expenses	**9,232**	**5,449**

notes

4. Events after the balance sheet date

On 3 July 2006, the APG completed a capital raising via a Security Purchase Plan for $19.5 million and issued approximately 13.8 million securities at $1.41 per security. Of the total $19.5 million capital raised, approximately $15.3 million has been allocated to AT, approximately $1.1 million has been allocated to AGHL, approximately $2.9 million has been allocated to AIT and approximately $0.2 million has been allocated to AGPL.

During August 2006, the Trust completed the acquisition of a bulky goods retail property at Moorabbin, Victoria for an aggregate purchase price of approximately $37 million and exchanged contracts to acquire a 50% interest in a commercial office property in Adelaide for approximately $5 million.

Other than as disclosed already in this report and to the knowledge of directors, there has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may effect, the Group's operations in future financial years, the results of those operations or the Group's state of affairs in future financial years.

5. Segment information

The consolidated entity operates within two business segments within the property industry, being property rental and sales and other property-based investments. The property rental and sales operations comprise the leasing and maintenance of commercial, retail and industrial properties and the conversion of commercial properties into commercial strata units intended for sale. The other property-based investments comprise mortgage lending and investment in joint venture activities. Revenue is derived from property rentals, interest, and property sales.

BUSINESS SEGMENTS YEAR ENDED 30 JUNE 2006	PROPERTY RENTAL & SALES $'000	OTHER PROPERTY-BASED INVESTMENTS $'000	TOTAL $'000
Revenue			
Revenue from external customers	60,636	37,343	97,979
Bank interest			682
Total consolidated revenue			**98,661**
Results			
Segment results	51,319	36,592	87,911
Interest income			682
Profit/(loss) before finance costs			88,593
Finance costs			(6,421)
Net profit for the year			**82,172**
Assets			
Segment assets	440,843	334,416	775,249
Total assets			**775,249**
Liabilities			
Segment liabilities	27,111	1,484	28,595
Interest bearing liabilities			217,256
Unallocated liabilities			15,491
Total liabilities			**261,342**

BUSINESS SEGMENTS YEAR ENDED 30 JUNE 2005	PROPERTY RENTAL & SALES $'000	OTHER PROPERTY-BASED INVESTMENTS $'000	TOTAL $'000
Revenue			
Revenue from customers outside the Trust	41,374	23,278	64,652
Bank interest			959
Total consolidated revenue			**65,611**
Result			
Segment results	35,155	23,702	58,857
Interest income			959
Profit/(loss) before finance costs			59,816
Finance costs			(9,077)
Net profit for the year			**50,739**
Assets			
Segment assets	324,301	236,538	560,839
Total assets			**560,839**
Liabilities			
Segment liabilities	2,045	(2)	2,043
Interest bearing liabilities			167,780
Unallocated liabilities			9,942
Total liabilities			**179,765**

directors' declaration

In accordance with a resolution of the directors of the responsible entity, we state that:

(1) in the opinion of the directors:

(a) the concise financial statements and notes of the consolidated entity are 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 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

(2) 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 period ended 30 June 2006.

On behalf of the Board of Abacus Funds Management Limited

JOHN THAME
Chairman

FRANK WOLF
Deputy Chairman

Sydney, 1 September 2006

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
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DX Sydney Stock Exchange 10172

independent audit report
to unitholders of abacus trust

SCOPE

The concise financial report and directors' responsibility
The concise financial report comprises the balance sheet, income and distribution statements, statement of recognised income and expense, cash flows statement, accompanying notes to the financial statements and the directors' declaration for the consolidated entity for the year ended 30 June 2006. The consolidated entity comprises both Abacus Trust (the trust) and the entities it controlled during the year.

The directors of the Responsible Entity of the trust are responsible for preparing a concise financial report that complies with Accounting Standard AASB 1039 Concise Financial Reports, in accordance with the Corporations Act 2001 and the trust's constitution. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report.

Audit approach
We conducted an independent audit on the concise financial report in order to express an opinion to the unitholders of the trust. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 Concise Financial Reports.

We formed our audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, the information to provide evidence supporting that the amounts and disclosures in the concise financial report are consistent with the full financial report; and
- Examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report that were not directly derived from the full financial report.

We have also performed an independent audit of the full financial report of the trust for the year ended 30 June 2006. Our audit report on the full financial report was signed on 1 September 2006, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

ERNST & YOUNG

independent audit report
to unitholders of abacus trust

Independence
We are independent of the trust and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the trust a written Auditor's Independence Declaration, signed on 1 September 2006 a copy of which is included in the Directors' Report.

Audit opinion
In our opinion the concise financial report and the directors' declaration of Abacus Trust complies with Accounting Standard AASB 1039 "Concise Financial Reports".

ERNST & YOUNG

MARK OSULLIVAN
Partner

Sydney, 1 September 2006

abacus income trust

DIRECTORY

Responsible entity
Abacus Funds Management Limited
Level 34, Australia Square
264-278 George Street
SYDNEY NSW 2000
Tel (02) 9253 8600
Fax (02) 9253 8616
Website www.abacusproperty.com.au

Directors of responsible entity
John Thame, Chairman
Frank Wolf, Deputy Chairman (executive)
David Bastian, Managing Director
Dennis Bluth
Phillip Green
Malcolm Irving

Company secretary
Sean O'Donoghue

Custodian
Perpetual Trustee Company Limited
Level 12, Angel Place
123 Pitt Street
SYDNEY NSW 2000

Auditor
Ernst & Young
Ernst & Young Centre
680 George Street
SYDNEY NSW 2000

Compliance plan auditor
Ernst & Young
Ernst & Young Centre
680 George Street
SYDNEY NSW 2000

Registry
Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
SYDNEY NSW 2000
Tel (02) 1800 635 323 Toll free
Fax (02) 8234 5050

ait

contents

It is recommended that this annual financial report should be read in conjunction with the annual financial reports of Abacus Property Group, Abacus Trust and Abacus Group Projects Limited as at 30 June 2006. 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.

directors' report

The directors of Abacus Funds Management Limited (Abacus), the responsible entity of the Abacus Income Trust (AIT or the Trust) submit their report for the Trust for the year ended 30 June 2006 and the auditor's report thereon.

DIRECTORS

The directors of the responsible entity in office during the financial year and until the date of this report are set out below:

John Thame	Chairman
Frank Wolf	Deputy Chairman (executive)
David Bastian	Managing Director (executive)
Dennis Bluth	Non-executive
Phillip Green	Non-executive
Malcolm Irving	Non-executive

PRINCIPAL ACTIVITIES

The principal activities of the Trust during the course of the year ended 30 June 2006 include investment in commercial, retail and industrial properties and mortgage lending.

TRUST STRUCTURE

The Abacus Property Group (APG) represents the consolidation of Abacus Group Holdings Limited (AGHL), Abacus Trust (AT), Abacus Income Trust (AIT) and Abacus Group Projects Limited (AGPL). Units in AT and AIT and shares in AGHL and AGPL have been stapled together so that neither can be dealt with without the other. An APG security consists of one unit in AT, one unit in AIT, one share in AGHL and one share in AGPL. A transfer, issue or reorganisation of a unit or share in any of the component parts is accompanied by a transfer, issue or reorganisation of a unit or share in each of the other component parts.

AIT is an Australian registered managed investment scheme. Abacus, the responsible entity of AIT, is incorporated and domiciled in Australia and is a wholly owned subsidiary of AGHL. The registered office and principal place of business of AGHL and of Abacus is located at Level 34 Australia Square, 264-278 George Street, Sydney NSW 2000.

MERGER OF ABACUS PROPERTY GROUP AND ABACUS DIVERSIFIED INCOME FUND

On 31 March 2006, APG implemented a merger with the unlisted ADIF. To effect the merger, AT made a stapling distribution to its unitholders to facilitate the acquisition of units in AIT and shares in AGPL. Similarly, AIT made a stapling distribution to facilitate the acquisition of units in AT and shares in AGHL by its unitholders. As a result of the stapling distribution made by AT, 437,072,018 additional AIT units were issued to effect the merger. The stapling distributions were effectively returns of capital and AIT's contributed equity increased by $8 million as a net result of the stapling distributions.

OPERATING PROFIT

AIT earned a net profit attributable to unitholders of $26.1 million for the year ended 30 June 2006 (June 2005: $11.1 million).

The Trust earned a net profit attributable to unitholders (excluding net property and derivative financial instruments revaluation movements, net of related minority interest attributable thereto) of $7.9 million (June 2005: $7.6 million).

EARNINGS PER UNIT

	YEAR ENDED 30 JUNE 2006 CENTS	YEAR ENDED 30 JUNE 2005 CENTS
Basic and diluted earnings per unit	12.71	12.57
Basic and diluted earnings per unit (excluding revaluation movements in investment properties (net of related minority interest attributable thereto) and derivative financial instruments)	3.89	8.42

As part of effecting the merger of APG and ADIF on 31 March 2006, units on issue were restructured and reduced by 22,369,372 and an additional 437,072,018 units were issued (a net increase 414,702,646). No additional net income was directly contributed to AIT as a result of effecting the merger. Excluding the impact on weighted average units on issue resulting from the additional units issued pursuant to the merger, earnings per unit for the year ended 30 June 2006 would have been 25.64 cents per unit (including revaluations) or 7.85 cents per unit (excluding revaluations).

DISTRIBUTIONS

The Trust paid cash distributions to unitholders of $9.4 million (9.24 cents per unit) during the year ended 30 June 2006 (June 2005: $7.0 million; 9.25 cents per unit).

The AT funded the distributions to APG securityholders for the quarter ended 30 June 2006.

Distributions were paid in respect of the year ended 30 June 2006 to unitholders as follows:

	CENTS	$'000
Interim distribution paid 10 November 2005	2.3125	2,366
Interim distribution paid 10 February 2006	2.3125	2,370
Interim distribution paid 10 May 2006	2.3125	2,319
Total	**6.9375**	**7,055**

REVIEW OF OPERATIONS

Trust overview

The Trust operates wholly within Australia and holds an investment portfolio of commercial, retail and industrial properties and mortgage loan investments.

Operating results for the period

Investment property portfolio:

- The Trust directly acquired one additional industrial property for approximately $9 million.
  In addition, through a 75% owned subsidiary, the Trust acquired 6 additional retail properties for approximately $29 million.
- The revaluation of 18 existing properties in the portfolio resulted in a net increase of $16 million in the carrying value of investment properties;

Mortgage lending:

- The ADIF investment Trust decreased the size of its mortgage book (including accrued interest) by $15 million to $17 million at 30 June 2006 compared to $32 million at 30 June 2005.
  The ADIF investment Trust had an average loan balance of approximately $6 million and average term of approximately 7 months. Loans are provided to both property developers and investors.
- In addition, to effect the merger noted, the AIT advanced approximately $8 million in loan funds to a subsidiary of AGHL. At 30 June 2006, the balance of the loan to associated Group entities was approximately $15 million.

directors' report

REVIEW OF FINANCIAL CONDITION

During the year ended 30 June 2006, the contributed equity of the Trust increased $8 million to $100 million compared to $92 million at 30 June 2005.

In early July 2006, the APG completed a $19.5 million capital raising via a Security Purchase Plan (13.8 million securities at $1.41) and approximately $2.9 million has been allocated to AIT.

Total equity increased net $27 million to $122 million at 30 June 2006 compared to $95 million at 30 June 2005. Net tangible assets per unit is $0.24 at 30 June 2006 compared to $0.94 at 30 June 2005. Excluding the impact of the additional units issued and increase in contributed equity to effect the merger of APG and ADIF noted above, net tangible assets per unit increased 28% to $1.20 at 30 June 2006 compared to $0.94 at 30 June 2005.

At 30 June 2006, existing bank loan facilities totalled approximately $116 million, of which approximately $115 million was drawn. The Trust manages interest rate exposure on debt facilities through the use of interest rate swap contracts. At 30 June 2006, approximately $73 million or 63% of total bank debt facilities were covered by interest rate swap arrangements at an average interest rate (including bank margin) of 6.76% and an average term to maturity of 5.9 years.

The Trust's net debt gearing ratio (calculated as total interest bearing liabilities less cash assets divided by total assets) was 52.6% at 30 June 2006 compared to 53.1% at 30 June 2005.

UNITS ON ISSUE

At 30 June 2006, 516,381,609 units in AIT were on issue (2005: 101,479,051). Units on issue increased net 414,902,558 during the year ended 30 June 2006 predominantly as a result of restructuring by reducing units on issue by 22,369,372 and issuing 437,072,018 units as part of effecting the merger of APG and ADIF on 31 March 2006.

FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

AIT paid a management fee out of scheme property to the responsible entity of $1.9 million for the year ended 30 June 2006 (2005: $1.3 million). In addition, AIT paid property management fees to an associate of the responsible entity, Abacus Property Services Pty Limited, of $0.5 million (2005: $0.4 million) for the year ended 30 June 2006.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Trust occurred during the financial year:

- Total equity increased by $27 million to $122 million at 30 June 2006 compared to $95 million at 30 June 2005.
- Acquisition of seven additional properties.
- Revaluations of properties resulted in a net increase in the carrying value of investment properties of $16 million.
- Net assets increased $27 million reflecting the impact of the merger with APG and property revaluations.
- 437,072,018 additional units in the Trust were issued and contributed equity increased net $8 million as a result of stapling distributions made by AT and AIT to effect the merger of APG and ADIF on 31 March 2006.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 3 July 2006, the APG completed a capital raising via a Security Purchase Plan for $19.5 million and issued approximately 13.8 million securities at $1.41 per security. Of the total $19.5 million capital raised, approximately $15.3 million has been allocated to AT, approximately $1.1 million has been allocated to AGHL, approximately $2.9 million has been allocated to AIT and approximately $0.2 million has been allocated to AGPL.

During August 2006, a 75% owned subsidiary of the Trust exchanged contracts to acquire a small shopping centre in Townsville, Queensland for approximately $7 million. In addition, the Trust exchanged contracts to sell its property at Kings Park, NSW for approximately $20 million. The sale is expected to complete in mid September 2006.

Other than as disclosed in this report and to the knowledge of directors, there has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect, the Trust's operations in future financial years, the results of those operations or the Trust's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The directors have excluded from this report any other information on the likely developments in the operations of the Trust and the expected results of those operations in future financial years which are not of a material nature or would in the directors' view be likely to result in unreasonable prejudice to the operation of the Trust.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Trust's environmental responsibilities, such as waste removal and water treatment, have been managed in compliance with all applicable regulations and licence requirements and in accordance with industry standards. No breaches of requirements or any environmental issues have been discovered and brought to the board's attention. There has been no known significant breaches of any environmental requirements applicable to the Trust.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

As responsible entity of the Trust, Abacus has paid an insurance premium in respect of a contract insuring its directors and full time executive officers and secretary. The terms of this policy prohibit disclosure of the nature of the risks insured or the premium paid.

REGISTER OF UNITHOLDERS

The register of unitholders has, during the year ended 30 June 2006, been properly drawn up and maintained so as to give a true account of the unitholders of the Trust.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is shown at the end of this Directors Report.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the responsible entity support and adhere to the principles of corporate governance. The Group's Corporate Governance Statement is contained in the Corporate Governance section of the annual report.

ROUNDING

The amounts contained in this report and in the annual financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Trust under ASIC Class Order 98/0100. The Trust is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

Abacus Funds Management Limited (ABN 66 007 415 590)

JOHN THAME
Chairman

FRANK WOLF
Deputy Chairman

Sydney, 1 September 2006

auditor’s independence declaration

to the directors of abacus funds management limited as the responsible entity for abacus income trust

In relation to our audit of the financial report of Abacus Income Trust for the financial year ended 30 June 2006, 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

MARK OSULLIVAN
Partner

Sydney, 1 September 2006

consolidated income and distribution statements

YEAR ENDED 30 JUNE 2006

	NOTES	2006 $'000	2005 $'000
Revenue			
Property income		19,842	14,787
Finance income	3a	3,528	4,623
Income from distributions		–	–
Total revenue		**23,370**	**19,410**
Depreciation	3f	(922)	(445)
Finance costs	3d	(6,413)	(7,347)
Other expenses	3e	(5,777)	(5,332)
Profit from operating activities		**10,258**	**6,286**
Net realised gains on investments	3b	–	1,168
Net unrealised gains on investment	3c	16,219	3,655
Profit before and after income tax		**26,477**	**11,109**
Net profit attributable to minority interests – external		(424)	(45)
Net profit attributable to unitholders		26,053	11,064

	CENTS	CENTS
Basic and diluted earnings per unit	12.71	12.57

	2006 $'000	2005 $'000
STATEMENT OF DISTRIBUTION		
Net profit attributable to unitholders	26,053	11,064
Net transfer of undistributed income to members' funds	(18,998)	(2,931)
Distributions paid and payable	7,055	8,133
Distribution per unit (cents per unit)	6.93	9.25
Weighted average number of units ('000)	204,997	87,998

consolidated balance sheet

AS AT 30 JUNE 2006

	2006 $'000	2005 $'000
Current assets		
Cash and cash equivalents	1,348	825
Trade and other receivables	2,959	4,228
Other financial assets	12,818	12,921
Other	552	288
Total current assets	**17,677**	**18,262**
Non-current assets		
Investment properties	204,132	146,050
Property, plant and equipment	30,725	30,154
Other financial assets	19,304	19,632
Other	274	174
Total non-current assets	**254,435**	**196,010**
Total assets	**272,112**	**214,272**
Current liabilities		
Trade and other payables	4,861	4,170
Interest-bearing loans and borrowings	39,238	430
Total current liabilities	**44,099**	**4,600**
Non-current liabilities		
Interest-bearing loans and borrowings	105,702	114,262
Total non-current liabilities	**105,702**	**114,262**
Total liabilities	**149,801**	**118,862**
Net assets	**122,311**	**95,410**
Equity		
Contributed equity	99,672	92,029
Asset revaluation reserve	1,907	857
Undistributed income	20,197	2,411
Total parent entity interest in equity	121,776	95,297
Total outside equity interest	535	113
Total equity	**122,311**	**95,410**

consolidated statement of recognised income and expense

YEAR ENDED 30 JUNE 2006

	2006 $'000	2005 $'000
Fair value revaluation of property, plant and equipment	1,050	857
Fair value revaluation of derivative financial instruments	(1,212)	–
Net income recognised directly in equity	**(162)**	**857**
Profit for the period	26,477	11,109
Total recognised income and expense for the period	**26,315**	**11,966**
Attributable to:		
Unitholders	26,053	11,064
Minority interest	424	45
	26,477	11,109

consolidated cash flow statement

YEAR ENDED 30 JUNE 2006

	2006 $'000	2005 $'000
Cash flows from operating activities		
Income receipts	16,445	11,280
Income from mortgage investments	6,289	1,989
Interest received	342	89
Audit fees	(48)	(45)
Responsible entity fees paid	(1,884)	(1,286)
Custody fees paid	(18)	(16)
Interest paid	(7,980)	(7,315)
Operating payments	(1,585)	(830)
Net cash flows from/(used in) operating activities	**11,561**	**3,866**
Cash flows from investing activities		
Payments for investments	(14,411)	(8,800)
Proceeds from sale and settlement of investments	12,821	5,000
Advances to related entities	2,945	(237)
Purchase of investment properties	(42,470)	(41,942)
Disposal of investment properties	–	13,868
Payments for other investments	1,966	(1,966)
Net cash flows from/(used in) investing activities	**(39,149)**	**(34,077)**
Cash flows from financing activities		
Proceeds from issue of units	7,909	39,871
Payment of issue costs	(47)	–
Payment of establishment fees	–	(1,774)
Repayment of borrowings	(23,318)	(37,929)
Proceeds from borrowings	52,964	37,679
Distributions paid	(9,397)	(7,037)
Net cash flows from/(used in) financing activities	**28,111**	**30,810**
Net increase/(decrease) in cash and cash equivalents	**523**	**599**
Cash and cash equivalents at beginning of period	825	226
Cash and cash equivalents at end of period	**1,348**	**825**

notes to the concise financial statements

30 JUNE 2006

1. Summary of significant accounting policies

(a) Listed property trust units

The constitution of AIT was amended to remove the finite maximum term of the Trust which allows unitholders' funds to continue to be treated as equity in accordance with *AASB 132 Financial Instruments: Presentation & Disclosure*. The AIT deferred the adoption of *AASB 132 Financial Instruments: Presentation & Disclosure* and *AASB 139 Financial Instruments: Recognition and Measurement* to 1 July 2005. Accordingly, AASB 132 and AASB 139 were not applied to the comparatives and the Trust's units were accounted for as equity.

(b) Basis of preparation

The concise financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards.

The concise financial report has been derived from the annual financial report but does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Trust as the full financial report.

The concise financial report should be read in conjunction with the annual financial report of APG, AT, and AGPL. It is also recommended that the annual financial report be considered together with any public announcements made by the APG during the year ended 30 June 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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 which are accounted for using the equity method, and certain investments measured at net market value. The carrying values of recognised assets and liabilities that are covered by interest rate swap arrangements, are adjusted to record changes in the fair values attributable to the risks that are being covered by derivative financial instruments.

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 Trust under ASIC Class Order 98/100. The Trust is an entity to which the class order applies.

(c) Statement of compliance

This financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard (AIFRS). Compliance with AIFRS has ensured that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of *AASB 132 Financial Instruments: Disclosure and Presentation* and *AASB 139 Financial Instruments: Recognition and Measurement*. The Trust has adopted the exemption under *AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB 132 and AASB 139 to the comparative period.

Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in Note 2.

As at 30 June 2006, a number of accounting standards have been issued with applicable commencement dates subsequent to year end. The impact of these accounting standards will not materially alter the accounting polices of the AIT.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of AIT and its subsidiaries as from the date the AIT obtained control until such time control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent trust, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Trust and cease to be consolidated from the date on which control is transferred out of the Trust. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Trust has control.

notes

1. Summary of significant accounting policies / continued

(d) Basis of consolidation / continued
The Trust has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable for the years ended 30 June 2006 and 30 June 2005. The Trust assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

2. Impact of adopting AIFRS

For all periods up to and including the year ended 30 June 2005, the Trust prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Trust is required to prepare in accordance with AIFRS.

Accordingly, the Trust has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in Note 2. In preparing these financial statements, the Trust has started from an opening balance sheet as at 1 July 2004, the Trust's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by *AASB 1 First-time adoption of AIFRS.*

This note explains the material adjustments made by the Trust in restating its AGAAP balance sheet as at 1 July 2004, its previously published AGAAP Balance Sheet and Income Statement for the year ended 30 June 2005, and adjustments to opening total equity upon the adoption of AASB 132 and 139 on 1 July 2005.

a) AASB 1 transitional exemptions
The Trust has made its election to the transitional exemptions allowed by *AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards* as follows:

i) *AASB 3 Business Combinations* was not applied retrospectively to business combinations undertaken before the date of transition to AIFRS.

ii) The Trust has elected to defer the application of *AASB 132 Financial Instruments: Presentation and Disclosure* and *AASB 139 Financial Instruments: Recognition and Measurement*. As a result of the deferral, the opening retained earnings at 1 July 2005 has been adjusted to account for the application of *AASB 132 Financial Instruments: Presentation and Disclosure* and *AASB 139 Financial Instruments: Recognition and Measurement* as at that date. Refer Note 2(e) for the reconciliation between 30 June 2005 closing balance and 1 July 2005 opening balance.

b) Reconciliation of profit after tax between AGAAP and AIFRS	YEAR ENDED 30 JUNE 2005 $'000
Profit after tax as previously reported	7,903
Revaluation of investment properties[1]	3,206
Profit after tax under AIFRS	**11,109**

[1] Fair value movements in investment properties are charged to the income statement under *AASB 140 Investment Property*, but were taken to the asset revaluation reserve under previous AGAAP. The gains from the fair value adjustment resulted in an increase in profit for the year.

c) Reconciliation of total equity between AGAAP and AIFRS	30 JUNE 2005 $'000	1 JULY 2004 $'000
Total equity under AGAAP	95,410	53,352
Adjustments to equity:		
Asset revaluation reserve	2,491	–
Transfer of asset revaluation reserve to retained earnings[1]	(2,491)	–
Total equity under AIFRS	**95,410**	**53,352**

[1] Asset revaluation reserve relating to investment properties has been reclassified to retained earnings. Gains or losses on revaluation of investment properties are recognised in profit or loss for the period in which they arise under *AASB 140 Investment Property*.

d) Cashflow statement under AIFRS

There are no material differences between the AGAAP and AIFRS cash flow statements.

e) Reconciliation of total equity opening balance upon adoption of AASB 132 and 139 on 1 July 2005

As a result of applying *AASB 132 Financial Instruments: Presentation and Disclosure* and *AASB 139 Financial Instruments: Recognition and Measurement* on 1 July 2005 various adjustments have been made between reserves and retained earnings.

	TOTAL EQUITY 1 JULY 2005 $'000
Total equity as at 30 June 2005	95,410
Interest rate swap arrangements not covered by hedge accounting[1]	(1,212)
Total opening equity under AIFRS as at 1 July 2005	**94,198**

[1] Interest rate derivatives are determined to be ineffective as they do not meet the hedge effectiveness criteria under *AASB 139 Financial Instruments: Recognition and Measurement*, accordingly, the derivatives are measured at fair value and the gains and losses are recorded in the income statement. Under AGAAP, interest rate derivatives were accounted for on an accrual basis.

notes

3. Revenue and expenses

	2006 $'000	2005 $'000
(a) Finance income		
Interest on mortgage loans	3,357	4,444
Bank interest	171	179
Total finance income	**3,528**	**4,623**
(b) Net realised gains on investments		
Sale of investment properties	–	1,364
Expenses on sale of investment properties	–	(196)
Total net realised gains on investments	**–**	**1,168**
(c) Unrealised gains on investments		
Change in fair value of investment properties	16,219	3,655
Total unrealised gains on investments	**16,219**	**3,655**
(d) Finance costs		
Interest on loans	8,662	7,336
Amortisation of finance costs	57	11
Unrealised gains on interest rate swaps	(2,306)	–
Total finance costs	**6,413**	**7,347**
(e) Other expenses		
Property Outgoings	3,448	2,864
Audit fees	55	53
Registry maintenance costs	50	71
Other	2,224	2,344
Total other expenses	**5,777**	**5,332**
(f) Depreciation		
Depreciation of property, plant and equipment	922	445
Total depreciation	**922**	**445**

4. Events after the balance sheet date

On 3 July 2006, the Group completed a capital raising via a Security Purchase Plan for $19.5 million and issued approximately 13.8 million securities at $1.41 per security. Of the total $19.5 million capital raised, approximately $15.3 million has been allocated to AT, approximately $1.1 million has been allocated to AGHL, approximately $2.9 million has been allocated to AIT and approximately $0.2 million has been allocated to AGPL.

During August 2006, a 75% owned subsidiary of the Trust exchanged contracts to acquire a small shopping centre in Townsville, Queensland for approximately $7 million. In addition, the Trust exchanged contracts to sell its property at Kings Park, NSW for approximately $20 million. The sale is expected to complete in mid September 2006.

Other than as disclosed already in this report and to the knowledge of directors, there has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect, the Trust's operations in future financial years, the results of those operations or the Trust's state of affairs in future financial years.

5. Segment information

The consolidated entity operates within two business segments within the property industry, being property rental and sales and other property-based investments. The property rental and sales operations comprise the leasing and maintenance of commercial, retail and industrial properties and the conversion of commercial properties into commercial strata units intended for sale. The other property-based investments comprise mortgage lending and investment in joint venture activities. Revenue is derived from property rentals, interest, and property sales.

	PROPERTY RENTAL & SALES		FINANCING		TOTAL	
	JUNE 2006 $'000	JUNE 2005 $'000	JUNE 2006 $'000	JUNE 2005 $'000	JUNE 2006 $'000	JUNE 2005 $'000
Revenue						
Revenues from customers outside the Trust	32,613	16,746	3,357	4,444	35,970	21,190
Bank interest					171	179
Total aggregated revenue					**36,141**	**21,369**
Results						
Segment result	29,665	14,444	3,054	3,833	32,719	18,277
Bank Interest					171	179
Borrowing costs					(6,413)	(7,347)
Trust net profit					**26,477**	**11,109**
Assets						
Segment assets	255,582	181,895	16,530	32,377	272,112	214,272
Total assets					**272,112**	**214,272**
Liabilities						
Segment liabilities	4,861	1,829	16,530	32,377	21,391	34,206
Interest-bearing loans					128,410	82,314
Unallocated liabilities					–	2,342
Total liabilities					**149,801**	**118,862**
Other segment information						
Depreciation	922	445	–	–	922	445

directors' declaration

In accordance with a resolution of the directors of the responsible entity, we state that:

(1) in the opinion of the directors:

(a) the concise financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including :

(i) give a true and fair view of the consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

(2) 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 period ended 30 June 2006.

On behalf of the board of Abacus Funds Management Limited

JOHN THAME
Deputy Chairman

FRANK WOLF
Chairman

Sydney, 1 September 2006

ERNST & YOUNG

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independent audit report
to unitholders of abacus income trust

SCOPE

The concise financial report and directors' responsibility
The concise financial report comprises the balance sheet, income and distribution statements, statement of recognised income and expense, cash flow statement, accompanying notes to the financial statements and the directors' declaration for the consolidated entity for the year ended 30 June 2006. The consolidated entity comprises both Abacus Income Trust (the trust) and the entities it controlled during the year.

The directors of the Responsible Entity of the trust are responsible for preparing a concise financial report that complies with Accounting Standard AASB 1039 Concise Financial Reports, in accordance with the Corporations Act 2001 and the trust's constitution. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report.

Audit approach
We conducted an independent audit on the concise financial report in order to express an opinion to the unitholders of the trust. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 Concise Financial Reports.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, the information to provide evidence supporting that the amounts and disclosures in the concise financial report are consistent with the full financial report; and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report that were not directly derived from the full financial report.

We have also performed an independent audit of the full financial report of the trust for the year ended 30 June 2006. Our audit report on the full financial report was signed on 1 September 2006, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

ERNST & YOUNG

independent audit report
to unitholders of abacus income trust

Independence
We are independent of the trust and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the trust a written Auditor's Independence Declaration, signed on 1 September 2006 a copy of which is included in the Directors' Report.

Audit opinion
In our opinion the concise financial report and the directors' declaration of Abacus Income Trust complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Ernst & Young

ERNST & YOUNG

MARK OSULLIVAN
Partner

Sydney, 1 September 2006

abacus group projects limited

DIRECTORY

Abacus Group Projects Limited
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Fax (02) 9253 8616
Website www.abacusproperty.com.au

Directors
Frank Wolf
David Bastian
Len Lloyd

Company Secretary
Sean O'Donoghue

Registry
Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
SYDNEY NSW 2000
Tel (02) 1800 635 323 Toll free
Fax (02) 8234 5050

Auditor
Ernst & Young
Ernst & Young Centre
680 George Street
SYDNEY NSW 2000

agpl

contents

It is recommended that this annual financial report should be read in conjunction with the annual financial reports of Abacus Property Group, Abacus Trust and Abacus Income Trust as at 30 June 2006. 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.

directors' report

The directors present their report together with the consolidated financial reports of Abacus Group Projects Limited (AGPL or the Company) and the auditor's report thereon.

DIRECTORS

The directors of AGPL, together with their qualifications and experience, in office during the year and until the date of this report are set out below:

Frank Wolf PhD, BA Hons
Dr Frank Wolf is the Chairman of FSP Group Pty Limited and a director of financial planning groups Financial Services Partners Pty Limited, Vector Financial Services Limited and Kingston Capital Limited as well as of HGL Limited, a diversified publicly listed investment company. Dr Wolf has over 20 years experience in the property and financial services industry.

David Bastian CPA
Mr David Bastian has almost 40 years experience in the financial services industry, in particular in the packaging of commercial, retail and residential property projects. He was Managing Director of the Canberra Building Society for 20 years and an executive director of Godfrey Pembroke Financial Services Pty Limited for 7 years. Mr Bastian is also a director of financial planning groups Financial Services Partners Pty Limited, Vector Financial Services Limited and Kingston Capital Limited.

Len Lloyd WDA, FAPI, LREA
Mr Len Lloyd is a licensed Real Estate Agent and a registered Real Estate Valuer. His experience includes the development, management and funding of commercial, retail and residential property. Mr Lloyd joined Abacus in October 2000 and now holds the position of Managing Director of Abacus Property Services Pty Limited responsible for property administration and development opportunities in the Abacus portfolio. In previous positions, Mr Lloyd held responsibility for the property portfolios of the Advance Bank and St George Bank and provided valuation and lending advice while with the Commonwealth Development Bank.

COMPANY SECRETARY

Sean O'Donoghue B.Com, CA, MBA
Mr Sean O'Donoghue has been the company secretary since joining the APG in September 2004. Mr O'Donoghue has over 15 years experience in the property and financial services industries having held various senior roles with MLC, Lend Lease and Commonwealth Bank over that period.

Directors' Meetings
The directors of AGPL held four meetings during the year in which all the directors attended.

PRINCIPAL ACTIVITIES

The principal activities of AGPL during the year was investment in joint ventures including participation in a residential project in Cronulla, a beachside suburb of Sydney, and the management of hotel operations, specifically, the Rydges Esplanade Hotel, Cairns.

CORPORATE STRUCTURE

AGPL is a company incorporated and domiciled in Australia. The registered office and principal place of business of AGPL is located at Level 34, Australia Square, 264-278 George Street, Sydney NSW 2000.

At balance date, a 75% owned subsidiary of AGPL, Abacus Matson Holdings Pty Limited, had 149 employees (2005: 146).

MERGER OF ABACUS PROPERTY GROUP AND ABACUS DIVERSIFIED INCOME FUND

On 31 March 2006, APG implemented a merger with the unlisted ADIF. To effect the merger, AT made a stapling distribution to its unitholders to facilitate the acquisition of units in AIT and shares in AGPL. Similarly, AIT made a stapling distribution to facilitate the acquisition of units in AT and shares in AGHL by its unitholders. As a result of the stapling distribution made by AT, net 414,702,646 additional AGPL shares were issued to effect the merger. The stapling distributions were effectively returns of capital and AGPL's contributed equity increased by $0.4 million as a net result of the stapling distributions.

OPERATING PROFIT

AGPL incurred a consolidated net loss attributable to members of $0.8 million for the year ended 30 June 2006 (June 2005: $0.1 million profit).

EARNINGS PER SHARE

	YEAR ENDED 30 JUNE 2006 CENTS	YEAR ENDED 30 JUNE 2005 CENTS
Basic and diluted earnings per share	(0.40)	0.17

As part of effecting the merger of APG and ADIF on 31 March 2006, shares on issue were restructured and reduced by 22,369,372 and an additional 437,072,018 shares were issued (a net increase 414,702,646). No additional net income was directly contributed to AGPL as a result of effecting the merger. Excluding the impact on weighted average shares on issue resulting from additional shares issued pursuant to the merger, earnings per share for the year ended 30 June 2006 would have been 0.82 cents loss per share.

DIVIDENDS

There were no dividends paid by AGPL during the year ended 30 June 2006 (June 2005: nil).

REVIEW OF OPERATIONS

Company Overview

AGPL operates wholly within Australia and holds an investment in a joint venture and operates a hotel business.

Operating Results for the Period

AGPL's joint venture entity sold its only asset, the Spotlight shopping centre at 147-157 Queen Street, Campbelltown, Sydney contributing a profit of approximately $0.4 million.

The Company made a provision for diminution in value of its investments in the Cronulla joint venture of $1.5 million and sold a commercial office suite during the year generating a profit of $0.1 million.

Review of Financial condition

As a result of the merger noted above, the contributed equity of the Company increased $0.4 million to $5.5 million compared to $5.1 million at 30 June 2005.

In early July 2006, APG completed a $19.5 million capital raising via a Security Purchase Plan (13.8 million securities at $1.41) and approximately $0.2 million has been allocated to AGPL.

Total equity decreased net $0.3 million to $5.8 million compared to $6.1 million at 30 June 2005. Net tangible assets per share decreased 3.97 cents to 0.91 cents at 30 June 2006. Excluding the impact of the additional shares issued and increase in contributed equity to effect the merger of APG and ADIF noted above, net tangible assets per share decreased 0.23 cents to 4.65 cents at 30 June 2006.

Total assets decreased $0.7 million to $7.9 million at 30 June 2006 compared to $8.6 million at 30 June 2005 largely reflecting the provision for diminution in the value of the Company's investment in the Cronulla development joint venture.

Other than as disclosed already in this report, there has been no matter or circumstance that has arisen since the end of the year that has significantly affected, or may affect, the Company's operations in future financial periods, the results of those operations or the Company's state of affairs in future financial periods.

directors' report

SHARES ON ISSUE

At 30 June 2006, 516,381,609 shares in AGPL were on issue (2005: 101,479,051). Shares on issue increased net 414,902,558 during the year ended 30 June 2006 as a result of restructuring by reducing shares on issue by 22,369,372 and issuing 414,702,646 shares as part of effecting the merger of APG and ADIF on 31 March 2006.

FEES PAID TO ABACUS FUNDS MANAGEMENT LIMITED AND ASSOCIATES

AGPL paid a management fee to Abacus of $0.04 million (2005: $0.02 million) for the year ended 30 June 2006. In addition, AGPL paid property management fees to an associate company, Abacus Property Services Pty Limited of $0.06 million (2005: $0.02 million) for the year ended 30 June 2006.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Company occurred during the financial year:

- The Spotlight shopping centre which underpinned a 50% joint venture was sold during the year;
- Total equity decreased by $0.3 million to $5.8 million at 30 June 2006 compared to $6.1 million at 30 June 2005;
- Total assets decreased $0.7 million largely reflecting the provision for diminution made on the Company's investment in the Cronulla joint venture;
- Net 414,702,646 additional shares in the Company were issued and contributed equity increased net $0.4 million as a result of stapling distributions made by AT and AIT to effect the merger of APG and ADIF on 31 March 2006.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 3 July 2006, the APG completed a capital raising via a Security Purchase Plan for $19.5 million and issued approximately 13.8 million securities at $1.41 per security. Of the total $19.5 million capital raised, approximately $15.3 million has been allocated to AT, approximately $1.1 million has been allocated to AGHL, approximately $2.9 million has been allocated to AIT and approximately $0.2 million has been allocated to AGPL.

Other than as disclosed already in this report and to the knowledge of directors, there has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may effect, the Company's operations in future financial years, the results of those operations or the Company's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The directors have excluded from this report any other information on the likely developments in the operations of the Company and the expected results of those operations in future financial years which are not of a material nature or would in the directors' view be likely to result in unreasonable prejudice to the operation of the Company.

ENVIRONMENTAL REGULATION AND PERFORMANCE

Environmental responsibilities, such as waste removal and water treatment, have been managed in compliance with all applicable regulations and licence requirements and in accordance with industry standards. No breaches of requirements or additional environmental issues have been discovered nor brought to the board's attention. There have been no known significant breaches of any environmental requirements applicable to the Company.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The manager of AGPL, Abacus, has paid an insurance premium in respect of a contract insuring its directors and full time executive officers and secretary. The terms of this policy prohibit disclosure of the nature of the risks insured or the premium paid.

SHARE OPTIONS

No options were granted over any share in the Company in the financial year, nor are there options outstanding as at the date of this report.

REGISTER OF SHAREHOLDERS

The register of shareholders has, during the year ended 30 June 2006, been properly drawn up and maintained so as to give a true account of the shareholders of the Company.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained on independence declaration from our auditors, Ernst & Young, and such declaration is shown at the end of this report.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of AGPL and Abacus support and adhere to the principles of corporate governance. The Company's Corporate Governance Statement is contained in the Corporate Governance section of the annual report.

ROUNDING

The amounts contained in this report and in the annual financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

Abacus Group Projects Limited (ABN 11 104 066 104)

FRANK WOLF
Director

LEN LLOYD
Director

Sydney, 1 September 2006

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auditor's independence declaration
to the directors of abacus group projects limited

In relation to our audit of the financial report of Abacus Group Projects Limited for the financial year ended 30 June 2006, 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

MARK OSULLIVAN
Partner

Sydney, 1 September 2006

consolidated income and distribution statements

YEAR ENDED 30 JUNE 2006

	NOTES	2006 $'000	2005 $'000
Revenue			
Net hotel income	3a	12,265	3,748
Income from distributions		383	82
Finance income		9	1
Total revenue		**12,657**	**3,831**
Employee benefits expense	3b	(5,188)	(2,090)
Depreciation and amortisation expense	3c	(192)	(40)
Other hotel expenses		(3,778)	(1,249)
Other expenses	3d	(4,511)	(760)
(Loss)/profit from operating activities		**(1,012)**	**(308)**
Net realised gains on investments	3e	142	–
Net unrealised gains on investments	3f	(280)	438
(Loss)/profit before income tax		**(1,150)**	**130**
Income tax expense		350	–
Net (loss)/profit		(800)	130
Net (loss)/profit attributable to minority interests – external		(30)	21
Net (loss)/profit attributable to members		**(830)**	**151**

	CENTS	CENTS
Basic and diluted earnings per AGPL share	(0.40)	0.17

consolidated balance sheet

AS AT 30 JUNE 2006

	2006 $'000	2005 $'000
Current assets		
Cash and cash equivalents	1,243	969
Trade and other receivables	3,978	1,226
Other	747	304
Total current assets	**5,968**	**2,499**
Non-current assets		
Investments accounted for using the equity method	–	3,357
Property, plant and equipment	871	20
Investment properties	–	1,580
Intangible assets	1,035	1,154
Total non-current assets	**1,906**	**6,111**
Total assets	**7,874**	**8,610**
Current liabilities		
Trade and other payables	1,601	2,097
Income tax payable	121	–
Provisions	152	359
Total current liabilities	**1,874**	**2,456**
Non-current liabilities		
Deferred tax liabilities	15	–
Provisions	227	43
Total non-current liabilities	**242**	**43**
Total liabilities	**2,116**	**2,499**
Net assets	**5,758**	**6,111**
Equity		
Contributed equity	5,557	5,110
Retained earnings/(accumulated losses)	(628)	201
Total parent interest in equity	4,929	5,311
Total outside interest in equity	829	800
Total equity	**5,758**	**6,111**

consolidated statement of recognised income and expense

YEAR ENDED 30 JUNE 2006

	2006 $'000	2005 $'000
Net income recognised directly in equity	–	–
Profit for the period	(800)	130
Total recognised income and expense for the period	**(800)**	**130**
Attributable to:		
Shareholders	(830)	151
Minority interest	30	(21)
	(800)	130

consolidated cash flow statement

YEAR ENDED 30 JUNE 2006

	2006 $'000	2005 $'000
Cash flows from operating activities		
Income receipts from hotel business	2,953	127
Interest received	9	1
Distributions received from JVs	402	92
Other deposits from hotel business	–	256
Manager's fee paid	(99)	(44)
Lease rental	(2,653)	–
Other operating payments	(271)	(24)
Net cash flows from/(used in) operating activities	**341**	**408**
Cash flows from investing activities		
Payments for investment properties and management rights	–	(2,521)
Proceeds from sale of investments	2,384	–
Purchase of plant and equipment	(27)	
Net cash flows used in investing activities	**2,357**	**(2,521)**
Cash flows from financing activities		
Proceeds from issue of shares	478	2,889
Proceeds from borrowings	–	193
Repayment of borrowings	(2,902)	–
Net cash flows from financing activities	**(2,424)**	**3,082**
Net increase in cash and cash equivalents	274	969
Cash and cash equivalents at beginning of period	969	–
Cash and cash equivalents at end of period	**1,243**	**969**

notes to the concise financial statements

1. Summary of significant accounting policies

(a) Basis of preparation of the consolidated financial report

The concise financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards.

The concise financial report has been derived from the annual financial report but does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The concise financial report should be read in conjunction with the annual financial report of APG, AT, and AIT. It is also recommended that the annual financial report be considered together with any public announcements made by the APG during the year ended 30 June 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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 which are accounted for using the equity method, and certain investments measured at net market value. The carrying values of recognised assets and liabilities that are covered by interest rate swap arrangements, are adjusted to record changes in the fair values attributable to the risks that are being covered by derivative financial instruments.

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 Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of *AASB 132 Financial Instruments: Disclosure and Presentation* and *AASB 139 Financial Instruments: Recognition and Measurement*. The Company has adopted the exemption under *AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB 132 and AASB 139 to the comparative period.

Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to IFRS are detailed in Note 2.

As at 30 June 2006, a number of accounting standards have been issued with applicable commencement dates subsequent to year end. The impact of these accounting standards should not materially alter the accounting polices of AGPL.

(c) Basis of consolidation

The consolidated financial statements comprise AGPL (the parent company) and Abacus Matson Holdings Pty Limited (the subsidiary). AGPL and its subsidiary are collectively referred to as AGPL.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

The subsidiary is consolidated from the date on which control is transferred to the AGPL and cease to be consolidated from the date on which control is transferred out of the AGPL. Where there is loss of control of the subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the AGPL has control.

Minority interests representing the interests in Abacus Matson Holdings Pty Ltd not held by the AGPL are presented separately in the income statement and within equity in the consolidated balance sheet.

notes

2. Impact of adopting AIFRS

For all periods up to and including the year ended 30 June 2005, AGPL prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the AGPL is required to prepare in accordance with AIFRS.

Accordingly, AGPL has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005. In preparing these financial statements, the AGPL has started from an opening balance sheet as at 1 July 2004, the AGPL's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by *AASB 1 First-time adoption of AIFRS*.

This note explains the material adjustments made by the AGPL in restating its AGAAP balance sheet as at 1 July 2004, its previously published AGAAP Balance Sheet and Income Statement for the year ended 30 June 2005, and any adjustments to opening total equity upon the adoption of AASB 132 and 139 on 1 July 2005.

a) AASB 1 transitional exemptions

AGPL has made its election to the transitional exemptions allowed by *AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards* as follows:

i) *AASB 3 Business Combinations* was not applied retrospectively to business combinations undertaken before the date of transition to AIFRS.

ii) AGPL has elected to defer the application of *AASB 132 Financial Instruments: Presentation and Disclosure* and *AASB 139 Financial Instruments: Recognition and Measurement*. As a result of the deferral, the opening retained earnings at 1 July 2005 has been adjusted to account for the application of *AASB 132 Financial Instruments: Presentation and Disclosure* and *AASB 139 Financial Instruments: Recognition and Measurement* as at that date.

b) Reconciliation of profit after tax between AGAAP and AIFRS	YEAR ENDED 30 JUNE 2005 $'000
Profit after tax as previously reported	(229)
Adjustments to profit after tax:	
Reversal of profits on sales settled after period end[(1)]	(79)
Revaluation of investment properties[(2)]	438
Profit after tax under AIFRS	**130**

(1) Sales not settled within the reporting period have been reversed and taken up in the period of settlement pursuant to *AASB 118 Revenue* which provides that revenue in the sale of goods is recognised when the significant risks and rewards of the ownership of the goods have been transferred to the buyer.

(2) Fair value movements in investment properties are charged to the income statement under *AASB 140 Investment Property*, but were taken to the asset revaluation reserve under previous AGAAP. The gains from the fair value adjustment resulted in an increase in profit for the year.

c) Reconciliation of total equity between AGAAP and AIFRS	30 JUNE 2005 $'000	1 JULY 2004 $'000
Total equity under AGAAP	6,190	3,601
Adjustment to equity:		
Asset revaluation reserve	325	–
Transfer of asset revaluation reserve to retained earnings[1]	(325)	–
Reversal of profits on sales settled after period end[2]	(79)	–
Total equity under AIFRS	**6,111**	**3,601**

[1] Asset revaluation reserve relating to investment properties has been reclassified to retained earnings. Gains or losses on revaluation of investment properties are recognised in profit or loss for the period in which they arise under *AASB 140 Investment Property.*

[2] Sales not settled within the reporting period have been reversed and taken up in the period of settlement pursuant to *AASB 118 Revenue* which provides that revenue in the sale of goods is recognised when the significant risks and rewards of the ownership of the goods have been transferred to the buyer.

d) Cashflow statement under AIRFS

There are no material differences between the AGAAP and AIFRS cash flow statements.

notes

3. Revenue and expenses

	2006 $'000	2005 $'000
(a) Net hotel income		
Revenue	14,702	4,525
Cost of sales	(2,437)	(777)
Total gross hotel income	**12,265**	**3,748**
(b) Employee benefits expense		
Wages and salaries	4,184	1,525
Leave provisions	379	402
Other	625	163
Total employee benefits expense	**5,188**	**2,090**
(c) Depreciation and amortisation expense		
Depreciation of plant and equipment	73	–
Amortisation of intangible assets – management right	119	40
Total depreciation and amortisation expense	**192**	**40**
(d) Other expenses		
Expenses on sale of investment properties	132	–
Management fees	99	44
Auditor's remuneration	16	28
Lease rental	2,739	668
Provision for diminution in value of joint venture interest	1,500	–
Other	25	20
Total other expenses	**4,511**	**760**
(e) Net realised gains on investments		
Sale of commercial office suite	142	–
(f) Net unrealised gains on investments		
Change in fair value of property, plant and equipment	(280)	280
Change in fair value of investment in Queen Street Trust	–	158
Total net unrealised gains on investments	**(280)**	**438**

4. Events after the balance sheet date

On 3 July 2006, the APG completed a capital raising via a Security Purchase Plan for $19.5 million and issued approximately 13.8 million securities at $1.41 per security. Of the total $19.5 million capital raised, approximately $15.3 million was allocated to AT, approximately $1.1 million was allocated to AGHL, approximately $2.9 million was allocated to AIT and approximately $0.2 million was allocated to AGPL.

Other than as disclosed already in this report and to the knowledge of directors, there has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect, the AGPL's operations in future financial years, the results of those operations or the AGPL's state of affairs in future financial years.

At 30 June 2006, AGPL employed 149 employees (June 2005:146).

5. Segment information

The consolidated entity operates within two business segments within the property industry, being hotel business and other property-based investments. The hotel business comprises the management and operation of a hotel in Queensland. The other property-based investments comprise investments in joint venture activities. Revenue is derived from service charges, property rentals, interest, fees and plant and equipment sales.

The entity operates within the property industry in Australia.

BUSINESS SEGMENTS	HOTEL BUSINESS		OTHER PROPERTY BASED INVESTMENTS		TOTAL	
	JUNE 2006 $'000	JUNE 2005 $'000	JUNE 2006 $'000	JUNE 2005 $'000	JUNE 2006 $'000	JUNE 2005 $'000
Revenue						
Revenues from customers outside the Company	2,884	2,784	3	21	2,887	2,805
Interest income					2	–
Total aggregated revenue					**2,889**	**2,805**
Results						
Segment result	(70)	214	(12)	171	(82)	385
Interest income					2	–
Company net profit					**(80)**	**385**
Assets						
Segment assets	5,345	5,340	2,529	3,270	7,874	8,610
Total assets					**7,874**	**8,610**
Liabilities						
Segment liabilities	2,028	2,142	88	357	2,116	2,499
Total liabilities					**2,116**	**2,499**
Other information						
Depreciation and amortisation	192	–	–	–	192	–

directors' declaration

In accordance with a resolution of the directors of AGPL, we state that:

(1) in the opinion of the directors:

(a) the concise financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) 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 period ended 30 June 2006.

On behalf of the board

FRANK WOLF
Director

LEN LLOYD
Director

Sydney, 1 September 2006

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independent audit report
to shareholders of abacus group projects limited

SCOPE

The concise financial report and directors' responsibility
The concise financial report comprises the balance sheet, income and distribution statements, statement of recognised income and expense, cash flows statement, accompanying notes to the financial statements and the directors' declaration for the consolidated entity for the year ended 30 June 2006. The consolidated entity comprises both Abacus Group Projects Limited (the company) and the entities it controlled during the year.

The directors of the company are responsible for preparing a concise financial report that complies with Accounting Standard AASB 1039 Concise Financial Reports, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report.

Audit approach
We conducted an independent audit on the concise financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 Concise Financial Reports.

We formed our audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, the information to provide evidence supporting that the amounts and disclosures in the concise financial report are consistent with the full financial report; and
- Examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report that were not directly derived from the full financial report.

We have also performed an independent audit of the full financial report of the company for the year ended 30 June 2006. Our audit report on the full financial report was signed on 1 September 2006, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

independent audit report
to shareholders of abacus group projects limited

Independence
We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, signed on 1 September 2006 a copy of which is included in the Directors' Report.

Audit opinion
In our opinion the concise financial report and directors declaration of Abacus Group Projects Limited complies with Accounting Standard AASB 1039 "Concise Financial Reports".

ERNST & YOUNG

MARK OSULLIVAN
Partner

Sydney, 1 September 2006

corporate governance

Corporate governance of the Group is the responsibility of the boards of Abacus Group Holdings Limited, Abacus Group Projects Limited and Abacus Funds Management Limited, which is the responsible entity of the trusts and a subsidiary of Abacus Group Holdings Limited.

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 Abacus website at www.abacusproperty.com.au under 'About Abacus'.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The roles and responsibilities of the Group board are formalised in the board charter, a copy of which has been posted to the Abacus website. Primary responsibilities are the provision of strategic guidance for the Group and the effective oversight of management. Particular functions include:

- Provide the overall corporate and business strategic direction of the Group
- Determine key policies and procedures governing the operations of the Group
- Review the annual progress and performance of the Group
- Approve the annual budget
- Approve all acquisitions, disposals and expenditures in excess of delegated limits
- Approve offer documents following due diligence process
- Oversee risk management issues
- Appoint and approve the terms and conditions of the employment of senior officers.

Details of each director's attendance at board and committee meetings is detailed in this report at page 15.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board size and composition

The board is comprised of three executive directors and four non-executive directors. John Thame, chairman of the board and Malcolm Irving, chairman of the audit committee, are independent members. The board has determined that an independent director is one who is not:

- a current executive or a previous executive;
- a nominee of a major shareholder;
- involved in material contractual relationships with the Group; or
- an adviser to the Group for fees or some other benefit.

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 pages 12-13 of this report.

Directors' independent advice

Directors may seek independent professional advice on any matter connected with the performance of their duties. In such cases, the Group will reimburse the reasonable costs of such advice.

Nomination Committee

The Group's nomination and remuneration committee is responsible for ensuring that the board maintains an appropriate size and composition to effectively discharge its responsibilities and duties. Membership of the committee comprises three non-executive directors:

John Thame	independent
Malcolm Irving (chairman)	independent
Dennis Bluth	

A copy of the charter of the nomination and remuneration committee has been posted to the Abacus website. The procedure for the selection and appointment of new directors to the board is contained in the board charter, also posted to the website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Standards of ethical behaviour

The Group's commitment to ethical practices and internal standards for professional conduct is set out in a formal code of conduct. The code stipulates requirements relating to client service, confidentiality of information, company assets, disclosure of potential conflicts of interest and compliance with laws and regulations, specifically including insider trading provisions.

corporate governance

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING / CONTINUED

Trading in Group securities

The board has a policy limiting trading in Group securities by directors to the six-week period commencing two business days after half-year and full-year results are announced. Exceptions are limited to participation in a distribution reinvestment plan or a security purchase plan that may be offered from time to time.

Copies of the code of conduct and the trading policy have been posted to the Abacus website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Financial report accountability

To safeguard the integrity of its financial reporting, the Group has put in place a structure of review and authorisation of the presentation of the Group's financial position. This structure includes the review and consideration of the accounts by the audit committee following the provision of a written statement by the Managing Director and the Chief Financial officer that the financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards.

Audit committee

The audit committee comprises three non-executive directors, two of whom are independent:

Malcolm Irving (chairman)	independent
John Thame	independent
Dennis Bluth	

The primary function of the audit committee is to ensure that an effective framework exists through the establishment and maintenance of adequate internal controls to safeguard the Group's assets and to ensure the integrity and reliability of financial and management reporting systems. The committee meets with external auditors and reviews the adequacy, scope and quality of the annual statutory audit and half-yearly statutory audit review.

Procedures for the selection and appointment of the external auditor are currently being developed. The current auditor of the Group has a policy of rotation of audit engagement partners which conforms with the Corporations Act.

The charter of the audit committee has been posted to the Abacus Property Group website.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Group is committed to the continuous disclosure to the market of material information concerning the Group's operations and has a policy and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements. The primary responsibility for ensuring that the Group complies with its disclosure obligations is held by the Managing Director.

The Group's disclosure policy has been posted to the Abacus website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITYHOLDERS

The Group is committed to keeping securityholders informed of significant developments and activities of the Group. The Abacus website is updated regularly and includes financial and general information on the Group's operations. Information made available through the website includes annual and half-yearly reports, distribution history and all other announcements lodged with the ASX.

In addition, the Group publishes a newsletter from time to time which updates investors and their advisers on the current activities of the Group and alerts them to any forthcoming opportunities.

The Group's securityholder communication policy has been posted to the Abacus website.

External auditor

The external auditor attends the annual general meetings of the Group and is available to answer securityholder questions about the conduct of the audit and the preparation and content of the auditor's report.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Group has in place a system of risk management and internal control which includes:

- a comprehensive risk management business plan
- maintenance of board and other committees relevant to the business of the Group
- detailed and regular budgetary, financial and management reporting
- audits (including financial and compliance audits)
- compliance procedures, manuals and policies
- comprehensive insurance programs;
- retention of specialised staff and external advisers.

The Managing Director and Chief Financial Officer have provided a written statement to the board that their statement on the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board, and that this system is operating efficiently and effectively in all material respects.

Compliance

The Group's compliance regime is managed by a professional compliance manager and overseen by a compliance committee. The primary role of this committee is to ensure that management follows written processes developed to ensure compliance with the Corporations Act, trust constitutions and other relevant parameters and that those processes are adequate for ongoing compliance with the law and to protect the interests of securityholders. It reports to the board semi-annually or as required.

The compliance committee includes two external members (who are not directors of the board):

Phillip Leslie (chairman)	external member
James Beecher	external member
David Bastian	

In addition to the work of the compliance manager and compliance committee, the Group's compliance program is audited annually by an external auditor, currently Ernst & Young.

Review of lending proposals

New secured lending proposals which may be taken up by the Group or by a trust under Abacus management are evaluated by the credit committee against key investment criteria as part of a rigorous due diligence process. The committee reviews the feasibility analysis of the project and independent valuations of the property and proposed improvements, and assesses other relevant factors such as the experience and financial capacity of the borrower, project risk, local planning policies and market trends.

The credit committee includes two external members (who are not directors):

Dennis Bluth (chairman)	
Frank Wolf	
David Bastian	
David Brodie	external member
Graham Broome	external member

Due Diligence

The Group has a standing due diligence committee to manage the due diligence process of each transaction that involves the issue of a disclosure document. The due diligence committee comprises at least three members, currently:

Dennis Bluth (chairman)
Frank Wolf
David Bastian

Additional members, such as other board members, representatives of external advisers or independent experts, may be appointed for particular projects.

The objectives of the due diligence committee are:

- to take all reasonable steps to ensure compliance with the law, particularly the Corporations Act and, to the extent relevant, the Trade Practices Act, applicable State Fair Trading Acts and taxation and stamp duty legislation;
- to obtain and verify information to be included in the disclosure document; and
- to overview the comprehensive due diligence system implemented in connection with the preparation of the disclosure document.

The Group's business risk management policy and procedures have been posted to the Abacus website.

corporate governance

PRINCIPLE 8: ENCOURAGE ENHANCED PERFORMANCE

The Group is committed to ensuring that directors and key executives are equipped with the knowledge and information they need to discharge their responsibilities effectively.

Management supplies the board with information in a form, timeframe and quality to enable it to make informed decisions. Directors are entitled to request additional information and have open access to the company secretary and senior staff. Directors are also able to seek independent professional advice, if necessary, at the Group's expense.

Performance evaluation guidelines for the board and key executives are annexed to the board charter, which has been posted to the Abacus website.

PRINCIPLE 9: REMUNERATE FAIRLY AND RESPONSIBLY

The aim of the Group's remuneration policy is to attract and retain talented and motivated directors and employees so as to encourage enhanced performance of the Group. The policy is overseen by the nomination and remuneration committee which comprises three non-executive directors:

Malcolm Irving (chairman)
John Thame
Dennis Bluth

A copy of the charter of the nomination and remuneration committee has been posted to the Abacus website.

The remuneration of each director and the five most senior officers is set out elsewhere in this Annual Report. Non-executive directors are paid fees for their service and do not participate in other benefits which may be offered other than those which are statutory requirements.

The Group does not provide incentives as a percentage of base pay to any director or member of staff, nor is any equity provided. Salary increases and bonus payments are determined by the nomination and remuneration committee on an annual basis.

PRINCIPLE 10: RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

The Group is committed to meeting its obligations to non-shareholder stakeholders such as employees, clients, suppliers and the community as a whole. The code of conduct discussed under Principle 3 sets standards of honesty, integrity and ethical conduct to guide the personal behaviour of staff.

A copy of the code of conduct has been posted to the Abacus website.

asx additional information

Abacus Property Group is made up of the Abacus Trust, Abacus Income Trust, Abacus Group Holdings Limited and Abacus Group Projects Limited. The responsible entity of the Abacus Trust and Abacus Income Trust is Abacus Funds Management Limited. Unless specified otherwise, the following information is current as at 31 August 2006.

Number of holders of ordinary fully paid stapled securities	9,141
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	38

Secretary, Abacus Funds Management Limited Secretary, Abacus Group Holdings Limited Secretary, Abacus Group Projects Limited	Sean O'Donoghue
Registered office Abacus Funds Management Limited Abacus Group Holdings Limited Abacus Group Projects Limited	Level 34, Australia Square 264-278 George Street Sydney NSW 2000 612 9253 8600
Registry	Computershare Investor Services Pty Ltd GPO Box 7045 Sydney NSW 1115 1300 855 080
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 (current as at 11 September 2006)

SECURITYHOLDERS	NUMBER OF SECURITIES
UBS Nominees Pty Ltd	43,874,239
Deutsche Bank Group	36,650,881
Australian Executor Trustees	46,865,154
F M Wolf and entities controlled by him	28,839,181
Babcock & Brown Group	23,537,211

SECURITIES REGISTER

NUMBER OF SECURITIES	NUMBER OF SECURITYHOLDERS
1-1000	103
1,001-5000	493
5,001-10000	1,514
10,001-100000	6,743
100,001 – over	288

asx additional information

TOP 20 LARGEST SECURITYHOLDINGS

SECURITYHOLDERS	NUMBER OF SECURITIES	% OF ISSUED SECURITIES
1 National Nominees Limited	49,610,389	9.32
2 Australian Executor Trustees Limited <No 1 Account>	40,810,353	7.66
3 Westpac Custodian Nominees Limited	37,896,464	7.12
4 J P Morgan Nominees Australia Limited	28,379,461	5.33
5 ANZ Nominees Limited <Cash Income A/C>	21,992,618	4.13
6 RBC Dexia Investor Services Australia Nominees Pty Ltd <APN A/C>	15,390,200	2.89
7 ANZ Nominees Limited <Income Reinvest Plan A/C>	10,527,218	1.98
8 Avanteos Investments Limited <FSP Super Fund A/C>	10,080,026	1.89
9 RBC Dexia Investor Services Australia Nominees Pty Ltd <MLCI A/C>	8,303,325	1.56
10 ANZ Nominees Limited A/C <MMC Contrarian Ltd>	7,323,518	1.38
11 Citicorp Nominees Pty Limited	7,227,632	1.36
12 Citicorp Nominees Pty Limited <CFSIL Cwlth Property 6 A/C>	5,096,132	0.96
13 Assetinsure Pty Ltd	4,683,465	0.88
14 Citicorp Nominees Pty Limited <CFS WSLE Property Secs A/C>	4,060,093	0.76
15 Avanteos Investments Limited <FSP IDPS A/C>	3,458,796	0.65
16 Craig Securities (No. 2) Pty Limited	3,303,500	0.62
17 Kendall Securities (No. 2) Pty Limited	3,303,500	0.62
18 Westpac Financial Services Limited c/ Westpac Custodian	2,941,830	0.55
19 Pluteus (No. 164) Pty Limited	2,734,146	0.51
20 Australian Executor Trustees Limited	2,703,603	0.51

abacus property group

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