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annual financial report 2010

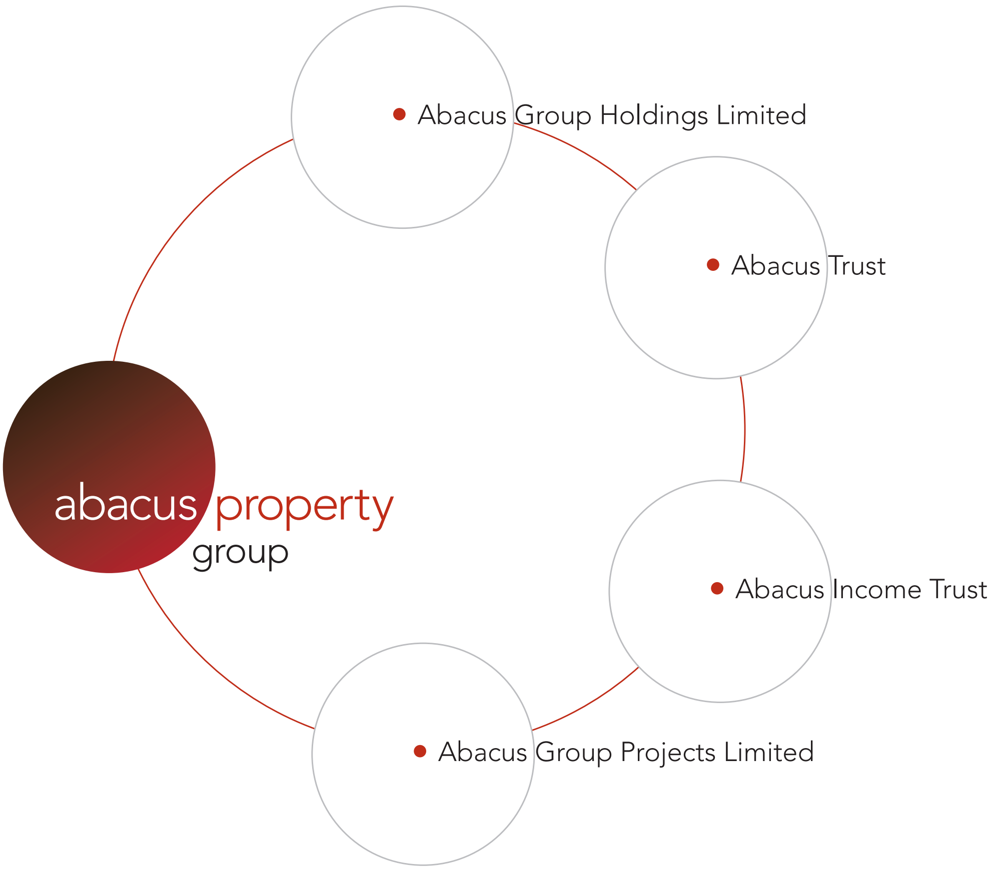
ABACUS PROPERTY GROUP

At 30 June 2010, 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 of AGHL services 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.

GLOSSARY

Abacus	Abacus Funds Management Limited, the responsible entity of the trusts
AGHL	Abacus Group Holdings Limited
AGPL	Abacus Group Projects Limited
AIT	Abacus Income Trust
APG	Abacus Property Group
AT	Abacus Trust



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30 June 2010

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DIRECTORY

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Abacus Group Projects Limited
ABN: 11 104 066 104

Abacus Funds Management Limited
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Directors of Responsible Entity and Abacus Group Holdings Limited
John Thame, Chairman
Frank Wolf, Managing Director
William Bartlett
David Bastian
Dennis Bluth
Malcolm Irving
Len Lloyd

Company Secretary
Ellis Varejes

Custodian
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It is recommended that this Annual Financial Report should be read in conjunction with the Annual Financial Reports of Abacus Trust, Abacus Group Projects Limited and Abacus Income Trust as at 30 June 2010. 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

30 June 2010

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

Abacus Group Holdings Limited 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 the Abacus Property Group for the year ended 30 June 2010 comprises the consolidated financial reports of Abacus Group Holdings Limited ("AGHL") and its controlled entities, Abacus Trust ("AT") and its controlled entities, Abacus Group Projects Limited ("AGPL") and its controlled entities and Abacus Income Trust ("AIT") and its controlled entities.

PRINCIPAL ACTIVITIES

The Group operates predominantly in Australia and its principal activities during the course of the year ended 30 June 2010 included:

- investment in commercial, retail and industrial properties;
- property funds management;
- property finance; and
- participation in property joint ventures and developments.

GROUP STRUCTURE

The Group is comprised of AGHL, AT, AGPL and AIT. Shares in AGHL and AGPL and units in AT and AIT and have been stapled together so that none can be dealt with without the others. 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 ("AFML"), the Responsible Entity of AT and AIT, is incorporated and domiciled in Australia and is a wholly-owned subsidiary of AGHL.

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REVIEW OF OPERATIONS

The Group earned a net profit attributable to members of $25.4 million for the year ended 30 June 2010 (2009: $102.4 million loss).This profit has been calculated in accordance with Australian Accounting Standards and includes certain significant items that need adjustment to enable securityholders to obtain an understanding of the Group's underlying profit of $64.9 million (2009: $72.0 million).

The Underlying Profit reflects the statutory profit / (loss) as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of the Group, in accordance with the AICD / Finsia principles for reporting Underlying Profit.

	2010 $'000	2009 $'000
Statutory net profit / (loss) attributable to securityholders	**25,436**	**(102,412)**
Certain significant items:		
Net loss in fair value of investments held at balance date	25,875	113,426
Net (gain) / loss in fair value of derivatives	6,247	51,420
Net gain in fair value of investment properties and derivatives included in equity accounted profits from associates and joint ventures	(619)	(1,467)
Debt forgiveness of loan as part of the restructuring of ADIFII	4,900	11,000
Impairment of Intangibles	3,064	-
Underlying profit	**64,903**	**71,967**

The improvement in the Group's statutory performance reflects an easing in the effects of the global financial crisis. The net losses on revaluations (properties and investments) and interest rate swap valuations were $32.1 million as compared with $164.8 million in the previous year.

The reduction in the Group's underlying profit reflects lower transactional earnings – a consequence of the global financial crisis.

	2010	2009
Basic and diluted earnings / (loss) per security (cents)	1.53	(11.81)
Basic and diluted underlying earnings per security (cents)	3.90	8.30
Distributions per security (cents) (including proposed distribution)	3.15	7.75

The Group's gearing was reduced further during the year to 22.2% (2009: 26.6%) following the placement to institutional securityholders in December 2009. The impact of both year-end fair value adjustments and the Group's performance on its financial condition were as follows:

	2010	2009
Total Assets ($ million)	1,505.3	1,445.8
Gearing (%)	22.2	26.6
Net Assets ($ million)	1,102.9	989.7
Net Tangible Assets ($ million)	1,054.8	940.5
NTA per security ($)	0.58	0.62
Retained earnings / (Accumulated losses) ($ million)	(23.3)	(14.6)
Securities on issue (million)	1,813.6	1,509.6
Weighted average securities on issue (million)	1,662.5	867.5

Business activities which contributed to the Group's operating performance and financial condition for the financial year were:

REVIEW OF OPERATIONS (CONTINUED)

Property

Total property assets at 30 June 2010 were $891 million (2009: $897 million) The property portfolio was independently revalued during the year ended 30 June 2010, on a staggered basis, which resulted in a net full year devaluation charge of $18.8 million (2009: $107.5 million).

During the year the Group acquired 343 George Street, Sydney for $55 million plus acquisition costs and sold nine properties for $63.7 million which realised a profit of $2.1 million.

Lower rental income of $71.2 million in the year was consistent with the reduction of the property portfolio.

Funds Management

Difficult market conditions continued to affect the distribution of unlisted retail investment products. Despite these conditions Funds Management contributed $13.7 million (2009: $13.2 million) to the Group result.

In the second half of the 2010 financial year the Abacus Diversified Income Fund II was relaunched with an offering of 8% minimum income return over the life of the investment. The Abacus Storage Fund continued to trade solidly across its portfolio and the self-storage sector continues to be resilient in the current difficult environment. The Abacus Hospitality Fund has been adversely affected by the downturn in demand for hotel accommodation, particularly from international tourists and corporate business. During the year the Fund disposed of three hotels including the Swissotel in Sydney to reduce debt and improve bank LVR compliance.

Property Finance

Total property finance assets including accrued interest (and net of provisions) at 30 June 2010 were $87.6 million (2009: $146.2 million).

Revenue earned from interest and fees (net of provisions) totalled $12.6 million for the year (2009 $14.4 million).

Joint ventures & Developments

Investments managed within the Joint Ventures & Developments division comprise direct and indirect property investments and at 30 June 2010 totalled $195.0 million (2009 $126.5 million).

The joint venture investments are predominantly with experienced property investors and developers in New South Wales and Victoria. These joint ventures enable the Group to participate in a range of property-related opportunities with participants who have local knowledge and specialist property expertise.

Joint Ventures including equity accounted income contributed $3.7 million to the Group result (2009: $19.7 million).

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SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year ended 30 June 2010, the contributed equity of the Group increased $123 million to $1,110.5 million compared to $987.5 million at 30 June 2009 due principally to the placement to institutional securityholders in December 2009.

Total equity increased by 11.4% to $1,102.9 million at 30 June 2010 compared to $989.7 million at 30 June 2009.

At 30 June 2010, existing bank loan facilities totalled approximately $625.9 million, of which $341.9 million was drawn.The weighted average maturity of its secured, non-recourse bank debt is 1.27 years. The Group manages interest rate exposure on debt facilities through the use of interest rate swap contracts. At 30 June 2010, 51.2% (2009: 76.3%) of total debt facilities were covered by interest rate swap arrangements at an weighted average interest rate (including bank margins and fees on both drawn and undrawn amounts) of 8% (2009: 7.31%) and a weighted average term to maturity of 6 years (2009: 4.69 years).

DISTRIBUTIONS

Group distributions in respect of the year ended 30 June 2010 were $52.8 million (2009: $58.6 million), which is equivalent to 3.15 cents per stapled security (2009: 7.75 cents). This distribution includes 1.65 cents ($29.5 million) that was paid on 11 August 2010. Further details on the distributions are set out in note 9 of the financial statements.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 26 July 2010 the Group entered into a conditional agreement with the Kirsh Group to acquire Birkenhead Point Shopping Centre and Marina, Drummoyne, NSW (the Centre) for a total consideration of $174 million as equal tenants in common. Settlement is anticipated to occur in late 2010 with $45 million of the purchase price made available by the vendor as interest-free vendor finance for a period of 3 years.

On 23 August 2010 the Group accepted an offer to purchase 343 George St for $78 million. Settlement is anticipated to occur in September 2010.

On 26 August 2010 the Group re-financed its $480m CLUB facilities with a new 3 year $400 million syndicated bank debt facility (which replaced Abacus' existing $400 million core facility maturing in February 2011) and a renewed 3 year $80 million working capital bank debt facility with ANZ (which also had a February 2011 maturity).

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LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group will continue to pursue strategies that seek to improve profitability and market share of its activities during the coming year. In the opinion of the Directors, disclosure of any further information on future developments and results than is already disclosed in this report or the financial statements would be unreasonably prejudicial to the interests of the Group.

DIRECTORS AND SECRETARY

The Directors of AGHL, AFML (the Responsible Entity of AT and AIT) and AGPL in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

John Thame	Chairman (Non-executive)
Frank Wolf	Managing Director
William Bartlett	Director (Non-executive)
David Bastian	Director (Non-executive)
Dennis Bluth	Director (Non-executive)
Malcolm Irving	Director (Non-executive)
Len Lloyd	Executive Director

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DIRECTORS AND SECRETARY (CONTINUED)

The qualifications, experience and special responsibilities of the Directors and Company Secretary are as follows:

John Thame AIBF, FCPA

Chairman (non-executive)
Chairman of Due Diligence Committee
Member of Audit Committee
Member of Remuneration & Nomination Committee

Mr 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 was Chairman (2004 to 2008) and a director (1997 to 2008) of St George Bank Limited and St George Life Limited. He is also a director of Reckon Limited and The Village Building Co Limited (Group).

Frank Wolf PhD, BA Hons

Managing Director

Dr 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 Kingston Capital Limited (financial planning groups). He is also a director of HGL Limited, a diversified publicly listed investment company.

David Bastian CPA

Non-executive Director
Member of Due Diligence Committee
Member of Remuneration & Nomination Committee

Mr Bastian is a Non-Executive Director and has almost 40 years' experience in the financial services industry. He was the Managing Director of the Group until September 2006, Managing Director of the Canberra Building Society for 20 years and an Executive Director of Godfrey Pembroke Financial Services Pty Limited for 7 years.

Malcolm Irving AM
FCPA, SF Fin, BCom,
Hon DLitt

Non-executive Director
Chairman of Audit Committee
Chairman of Compliance Committee
Member of Remuneration & Nomination Committee
Member of Due Diligence Committee

Mr Irving is a Non-Executive Director and has many years' experience in company management, including 12 years as Managing Director of CIBC Australia Limited. He was Chairman of Keycorp Limited (2001 to 2007) and Caltex Australia Limited and a director of Thales Australia Limited (2000 to 2010) and Telstra Corporation Limited. He is also a director of O'Connell Street Associates Pty Ltd.

Dennis Bluth
LLM, BA, FAPI

Non-executive Director
Member of Due Diligence Committee

Mr Bluth is a Non-Executive Director and has practised as a solicitor for over 25 years, principally in the area of property law. Mr Bluth is a partner of HWL Ebsworth, Lawyers and is a member of a number of Law Society and Law Council Committees. He is also a member of the Australian Valuation & Professional Standards Board and part-time Judicial Member of the Administrative Decisions Tribunal, Retail Leases Division.

DIRECTORS AND SECRETARY (CONTINUED)

William J Bartlett FCA, CPA, FCMA, CA(SA)	Non-executive Director Chairman of Remuneration & Nomination Committee Member of Audit Committee Member of Due Diligence Committee

Mr Bartlett is a Non-Executive Director. During his 23 year career with Ernst & Young, he held the roles of Chairman of Worldwide Insurance Practice, National Director of Australian Financial Services Practice and Chairman of the Client Service Board. Mr Bartlett is a director of Suncorp-Metway Limited, GWA Limited, Reinsurance Group of America Inc and RGA Reinsurance Company of Australia Limited. Mr Bartlett was a director of Arana Therapeutics Limited (2004 to 2007). He is also a director of the Bradman Foundation and Museum.

Len Lloyd FAPI, WDA	Executive Director

Mr Lloyd is a licensed Real Estate Agent and a registered Real Estate Valuer. He has 40 years experience in 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 for 21 years.

Ellis Varejes BCom, LLB	Company Secretary and Chief Operating Officer

Mr Varejes has been the Company Secretary since September 2006. He has over 25 years' experience as a corporate lawyer in private practice.

As at the date of this report, the relevant interests of the directors in the stapled securities of Abacus Property Group were as follows:

Directors	APG securities held
John Thame	276,820
Frank Wolf	14,187,322
William Bartlett	114,032
David Bastian	5,500,000
Dennis Bluth	356,634
Malcolm Irving	128,723
Len Lloyd	55,925

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DIRECTORS AND SECRETARY (CONTINUED)

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) of Abacus Group Holdings Limited and Abacus Funds Management Limited, the manager of the Abacus Property Group, held during the year and the number of meetings attended by each director were as follows:

	BOARD		AUDIT & RISK COMMITTEE		DUE DILIGENCE COMMITTEE		NOMINATION & REMUNERATION COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
J Thame	18	17	4	4	5	3	4	4
F Wolf	18	15						
W Bartlett	18	14	4	4	5	5	4	4
D Bastian	18	16			5	5	4	4
D Bluth	18	13			5	3		
M Irving	18	16	4	4	5	2	4	4
L Lloyd	18	16						

Indemnification and Insurance of Directors and Officers

The Group has paid an insurance premium in respect of a contract insuring all directors, 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 is subject to significant environmental regulation in respect of its property activities. Adequate systems are in place for the management of the Group's environmental responsibilities and compliance with the various licence requirements and regulations. No material breaches of requirements or any environmental issues have been identified during the year.

directors report

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AUDITORS INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is shown on page 23.

NON-AUDIT SERVICES

The following non-audit services were provided by the Group's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Other assurance and compliance services	$37,000
	$37,000

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 98/100. The group is an entity to which the Class Order applies.

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the parent company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the executives in the parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the Managing Director and other senior executives of the parent and the Group.

Details of key management personnel (including the highest paid executives of the Company and the Group).

i) Non-executive Directors

J. Thame	Chairman
W. Bartlett	Director
D. Bastian	Director
D. Bluth	Director
M. Irving	Director

ii) Executive Directors

F. Wolf	Managing Director
L. Lloyd	Executive Director

iii) Executives

R. de Aboitiz	Chief Financial Officer
T. Hardwick	Director Funds Management
C. Laird	Director Joint Ventures
J. L'Estrange	General Manager Property Finance
P. Strain	Director Property
E Varejes	Chief Operating Officer

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REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration at a glance

Base salaries

Base salaries paid to executives did not increase in the year ended 30 June 2010 with the exception of the Director Property. The increase in Mr Strain's base salary reflected changes in his responsibilities.

Retention Bonus

A retention bonus of $500,000 was paid to the Managing Director. The Remuneration and Nomination Committee considered it essential in 2008 to ensure his retention during a difficult economic period that the Group and the economy were experiencing. This bonus was payable if the Managing Director continued in that role until the 2009 Annual General Meeting.

Bonuses

Bonuses totalling $1,275,000 are payable to the executives of the Group for the year ended 30 June 2010. The details of these bonuses are set out in table 1. The amount of each bonus was determined by reference to the performance of the executive against the agreed key performance indicators, the performance of the Group and other aspects of the executive's performance considered relevant in the context of the review.

Remuneration strategy review

At 30 June 2009 the long-term incentive plans were cancelled. These plans had been in operation since 2006 and from inception until the time of cancellation the executives had received no benefits from the operation of these plans.

During the 2010 financial year the Remuneration and Nomination Committee worked with its external consultants, Deloitte Touche Tohmatsu, to complete a comprehensive review of remuneration arrangements in order to align them more closely with the Group's growth objectives in the 2011 financial year and subsequent financial years.The result of this review was a number of changes to be put in place for 2011.These include changes to the operation of the short-term incentive plan and introduction of a new long-term incentive plan.

Board oversight of remuneration

Remuneration & Nomination Committee

The Remuneration & Nomination Committee of the Board of Directors is responsible for making recommendations to the Board on the remuneration arrangements for the non-executive directors and executives.

The Committee assesses the appropriateness of the nature and amount of remuneration of non-executive directors and executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a quality performing Board and executive team. The Committee engages external consultants who provide independent advice on the level and composition of director and executive remuneration. These consultants report to the Committee and the Board.

The Committee and the Board are mindful of the Corporations and Markets Advisory Committee proposals regarding the composition of the Board. The Board is embarking on a process of consideration of its composition, particularly in light of the recommendations on diversity.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration policy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

The Group's policy, which it believes is critical to achieving the Group's overall objective of producing superior performance and growth, is competitive. The Group's policy is designed to reward individual performance and closely align the interests of the executive directors and other executives to those of securityholders through the use of short-term and long-term incentives. To this end, the Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to the Group's performance and the creations of securityholder value;
- have a reasonable portion of executive remuneration at risk; and
- establish performance hurdles for variable executive remuneration.

Remuneration structure

In accordance with corporate governance best practice, the separate structure of non-executive director and executive remuneration is as follows.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, while incurring a cost that is market competitive.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors must be determined from time to time by a general meeting. The last determination was at the annual general meeting held on 14 November 2007 when securityholders approved an aggregate remuneration limit of $600,000 per year. It is intended to seek an increase of $200,000 at the forthcoming Annual General Meeting. This amount represents a limit on non-executive directors' total fees and does not represent the actual fees paid to non-executive directors which are set out in Table 1. As previously noted the Board is embarking on a process that will lead to changes in the Board's composition.

The aggregate remuneration limit and the fee structure is reviewed annually. When undertaking the annual review process the Board considers advice from its external consultants which includes a comparison of the fees paid to non-executive directors of similar groups.

Fees payable, inclusive of superannuation, to non-executive directors are as follows:

Board/Committee	Role	Fee
Board	Chairman	$183,000
Board	Member	$69,000
Audit & Risk Committee	Chairman	$12,000
Audit & Risk Committee	Member	$6,000
Compliance Committee	Chairman	$6,000
Credit Committee	Member	$5,760
Due Diligence Committee	Member	$6,000
Remuneration & Nomination Committee	Member	$6,000
Abacus Storage Funds Management Limited Board	Member	$9,000

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REMUNERATION REPORT (AUDITED) (CONTINUED)

The payment of additional fees for serving on a Board committee or on the Board of Abacus Storage Funds Management Limited recognises the additional time commitment required by directors who serve in those capacities.

The non-executive directors do not receive retirement benefits. Nor do they participate in any incentive programs. The remuneration of non-executive directors for the years ended 30 June 2010 and 2009 is detailed in Table 1 of this report.

Executive remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- reward executives for Group, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of securityholders; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Remuneration & Nomination Committee engaged external consultants, Deloitte Touche Tohmatsu, to provide independent advice.

The Board has negotiated a contract of employment with the Managing Director. Details of this contract are provided.

Executive Remuneration consists of the following key elements:

- fixed remuneration (base salary, superannuation and non-monetary benefits).
- variable remuneration
  - short term incentive (STI); and
  - long term incentive (LTI).

The proportion of fixed remuneration and variable remuneration (short term and long term incentives) for each executive is set out in Table 1.

For the year ending 30 June 2011 the Board has determined that within the context of providing market competitive levels of remuneration to Abacus executives, it is appropriate that:

(a) executives have a significant portion of their total remuneration at risk as it is tied to the performance of the business and their own contributions to that performance; and

(b) executive remunerative be delivered with the proportion of fixed to potential maximum variable pay being in the ratio of 60:40 and a weighting based on seniority to a greater proportion of variable pay based on long-term performance to reflect their stewardship role.

These arrangements will apply to those executives who are invited to participate in the Abacus incentive plan. Participation will be limited to executives whose roles have the potential to affect the long-term value of the Group. Market practice dictates that a significant portion of the remuneration of these executives should be linked to long-term incentives.

Both short-term incentives (STIs) and long-term incentives (LTIs) will be offered to executives. STIs will comprise cash bonuses. LTIs will be synthetic equity (comparable to cash-settled options) that will generally have a vesting period of approximately three years.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Fixed Remuneration

Objective

Fixed remuneration is reviewed annually by the Remuneration & Nomination Committee. The process consists of a review of Group, business unit and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices.

Base Salary

Base salary is set by reference to the executive's position, performance and experience. In order to attract and retain executives of the highest quality the Group aims to set competitive rates of base salary. Base salary levels are benchmarked periodically against the Group's competitors and are reviewed on an annual basis having regard to performance, external market forces and promotion.

As previously noted the base salary of all but one of the executives did not change during the year ended 30 June 2010.

The fixed remuneration component of the Group's executive directors and the most highly remunerated executives is detailed in Table 1.

Variable Remuneration – Short Term Incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets.

Structure - Year ended 30 June 2010

Given the uncertainties during the 2010 financial year relating to the government's proposals to change the legislative regime affecting executive remuneration, the Board decided to delay introducing a new comprehensive plan for variable remuneration until the new legislative regime was finalised. As a consequence variable remuneration for this year was limited to STIs. Payments made were delivered as a cash bonus.

Bonus payments are closely linked to the performance of the executives and senior managers measured against key performance indicators which are set each year. The key performance indicators are designed to recognise and reward both financial and non-financial performance. The key performance indicators will vary according to the role of the particular executive and will relate to property, funds management, property finance, joint venture and corporate targets.

The bonus awarded is determined by reference to the performance of the executive against the agreed key performance indicators, the performance of the Group and other aspects of the executive's performance considered relevant in the context of the review.

The aggregate of annual STI payments available for executives across the Group was approved by the Board.

Managing Director's remuneration

In determining the Managing Director's remuneration the Board considered market data from the general market (general listed industry companies of comparable size and, within that, A- REITs of comparable size) to determine what an appropriate market competitive level of pay is, his personal performance, his status in the industry and value to the Group and also his ability to attract funds to the Group and entities managed by the Group.

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REMUNERATION REPORT (AUDITED) (CONTINUED)

Variable Remuneration – Short Term Incentive (STI) (continued)

Structure - Year ending 30 June 2011

After finalisation of the new legislative regime for executive remuneration, the committee reviewed the performance conditions that determine awards under the executive STI plan to ensure that it focuses executives on improving the underlying financial strength of the business. For the year ending 30 June 2011, awards under the STI plan will depend on improvement in underlying net profit at both Group and business unit level (for executives with business unit responsibility). Individual key performance indicators (KPIs) were reviewed to ensure that they strongly support contribution to underlying profitability in order to safeguard returns made to our securityholders.

The committee worked with its external consultants to complete a comprehensive review of remuneration arrangements during the year in order to align them more closely with the Group's growth objectives in the year ending 30 June 2011 and over the longer term.This review resulted in the Board adopting the following changes:

- STI pool – from the year ending 30 June 2011 onwards the pool available for short-term incentive awards will be linked directly to achievement of underlying net profit target for the assessment year.
- KPIs – the performance measures that determine individual awards under the short-term incentive plan were reviewed to ensure that they accurately represent the contributions to be made by executives to the Group's financial and operating performance.

Securityholders expect that companies consider the financial performance of the business when forming decisions about whether to pay bonus or not, and, if so, the size of bonuses. The Board has established a process to manage the assessment and payment of STI entitlements through KPIs and key effectiveness indicators. The process is set out as follows on the following page:

REMUNERATION REPORT (AUDITED) (CONTINUED)

Variable Remuneration – Short Term Incentive (STI) (continued)

Beginning of the year

Set the Plan parameters

- Underlying net profit* target for coming year
- KPIs for each participant
- Maximum STIs payable for each participant
- Determine maximum STI pool size based on sum of individual theoretical maximums

↓

Year-end

Measure Group financial performance

- Is underlying net profit target met or exceeded?
- If no, bonuses will generally not be available
- If yes, gateway is passed

↓

After year-end

Distribute bonus

- Assess individual performance against KPIs
- STIs paid in cash

*The Board has compared Abacus' performance against several financial performance measures over annual periods to determine the strength of the relationship between the measures and securityholder value creation (measured by total securityholder return) and hence the most appropriate measure to determine entitlements to STIs. Based on this analysis the Board has adopted underlying net profit as the measure. Underlying net profit reflects the statutory profit as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of the Group, in accordance with the AICD/Finsia principles for reporting underlying profit.

For each relevant year the Board will specify an underlying net profit target that:

- operates as a gateway that must be passed if bonuses are to be generally payable; and
- The Board will retain a discretion based on its view of the circumstances at the time, to adjust the pool size.

If the underlying net profit target has been missed by a small amount, the Board may reduce but not eliminate the pool if it determines the circumstances warrant such action. If performance has been exceptionally strong the Board may increase the total pool size to provide additional bonuses reflecting above target performance. Where the financial gateway has not been achieved and the Board determines that no bonus pool will generally be available, it retains the discretion to pay bonuses to selected individuals to reward them for their above target performance.

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REMUNERATION REPORT (AUDITED) (CONTINUED)

Variable Remuneration – Short Term Incentive (STI) (continued)

Structure - Year ending 30 June 2011

If an executive is no longer employed at the time when the Group pays STIs for any relevant year then that executive will generally not be entitled to be paid their STI bonus if the relevant executive resigned for any reason or if their employment was terminated with cause.

Key Performance Indicators

Where STIs are to be paid it is necessary to determine how STI entitlements will be quantified for participating executives.

The KPIs incorporate qualitative indicators of effectiveness, performance and behaviour. They are the primary tools the Board will use as a means of determining performance against expectations in order to distribute STIs where the financial performance gateway specified by the Board has been achieved.

The Board is mindful of the competing needs for Abacus to:

- maintain a robust framework by which performance expectations are set and measured; and
- retain its flexibility and entrepreneurialism as an organisation.

The Board retains the ability to consider each executive's total contribution to the Group.

Variable Remuneration – Long Term Incentive (LTI)

At 30 June 2009 the LTI plans were cancelled. These plans had been in operation since 2006 and at the time of cancellation the executives had received no benefits from the operation of these plans.

No LTI awards were made during the year ended 30 June 2010.

The Committee worked with its external consultants to develop a new LTI plan – from 1 July 2010 onwards, selected Abacus executives will be invited by the Board to participate in the new LTI plan which will reward improved Group performance and returns to securityholders. Awards under the plan will be linked directly to the Abacus security price and executives will not benefit under the plan unless the security price improves over the relevant vesting period.

Objective

The objective of the LTI plan is to reward executives in a manner that aligns remuneration with the creation of securityholder wealth. LTI grants will be made only to executives who are able to influence the generation of securityholder wealth and thus have an impact on the Group's performance.

LTI Security Appreciation Rights Plan

The plan that operates from 1 July 2010 has been designed to align the interests of executives with those of security-holders by providing for a significant portion of the pay of participating executives to be linked to the long-term price performance of Abacus securities.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Variable Remuneration – Long Term Incentive (LTI) (continued)

Security Appreciation Rights Plan

The security appreciation rights (SARs) plan is an LTI plan under which:

- Eligibility to participate will be based on the performance assessment completed in determining STI awards.
- Key executives may be allocated a number of SARs in any year as part of their annual remuneration package. The number of SARs allocated will be determined by reference to:
  - the target LTI portion of each participant's annual remuneration package; and
  - an adjustment factor (up or down) based on the annual STI performance assessment for the prior year and other relevant factors taken into account by the Board in its discretion.
- Each SAR is equivalent to the positive change in market value of one Abacus security over the vesting period.
- SARs vest at the end of a three-year period provided the executive remains employed by the Group (or otherwise at the Board's discretion).
- The Board will calculate the difference between the 5-day volume weighted average price (VWAP) of Abacus securities on the last day of the vesting period (generally 30 June in the vesting year) less the 5-day VWAP of Abacus securities as at the day before the commencement of the vesting period (generally 1 July of the grant year). If the difference is positive, then the difference will be multiplied by the number of SARs allocated to the relevant executive that have vested. An amount equal to the product will be paid to the relevant executive.
- Payment entitlements will be subject to PAYG tax withholding and will be made as soon as practicable following the completion of the vesting period.

The Board will retain the discretion to allocate SARs in excess of the target LTI amount in cases of exceptional performance.

The plan exposes executives to fluctuations in the security price throughout the vesting period and directly rewards them for successfully increasing Abacus's security price over that period. If Abacus's security price does not increase over the vesting period, executives will not be entitled to any payment under the plan.

The security price was chosen as the key measure for the LTI on the basis that it:

- reflects the market's assessment of the success or failure of Abacus management over the long-term; and
- incorporates the impact of all aspects of Abacus's financial performance.

SAR payouts are cash bonuses the size of which is determined by reference to the security price.

Each SAR payout will be subject to:

- income tax at the recipient's marginal income tax rate in the year in which the bonus is paid; and
- PAYG

in the same manner as other cash payments.

Link between remuneration policy and the Group's performance

The Group's performance is regularly compared with its peers within the S&P/ASX 300 A-REIT. This peer group reflects the Group's competitors for capital transactions and talent. For the year ended 30 June 2010, due to the continuing uncertainty in the market the Group's internal financial and business KPI's were considered to be a more appropriate measure for determining remuneration.

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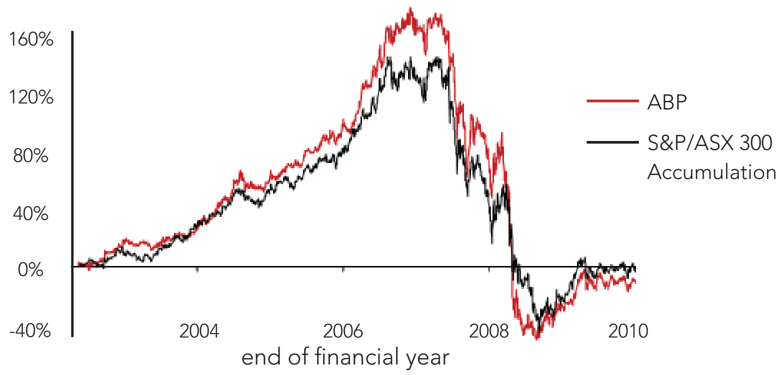
REMUNERATION REPORT (AUDITED) (CONTINUED)

The Group's performance in comparison with the S&P/ASX 300 A-REIT is set out in the following graph:

APG and S&P/ASX 300 A-REIT - Accumulation Index Total Return



The Group's performance for the past five years is as follows:

	2006	2007	2008	2009	2010
Underlying/normalised earnings per security (cents)	12.92	14.43	13.98	8.30	3.90
Distributions paid and proposed (cents)	11.80	12.50	13.50	7.75	3.15
Closing security price	$1.57	$1.98	$1.15	$0.37	$0.41
Net tangible assets per security	$1.22	$1.32	$1.37	$0.62	$0.58
Weighted average securities on issue	418.1m	553.2m	650.9m	867.5m	1,662.5m

Employment contracts

Managing Director

The Managing Director, Dr Wolf, is employed under a rolling contract. The current employment contract commenced on 10 October 2002. Under the terms of the present contract:

- Dr Wolf receives a base salary which is reviewed annually;
- he is entitled to participate in the LTI plans that are made available and to receive STI payments;
- Dr Wolf may resign from his position and thus terminate this contract by giving 6 months written notice; and
- the Group may terminate this employment agreement by providing 12 months written notice or providing payment in lieu of notice (based on the fixed component of Dr Wolf's remuneration).

Other Executives

There are no formal service agreements with other executives. The Group may terminate an executive's service at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to remuneration up to the date of termination.

directors report

30 June 2010

TABLE 1: REMUNERATION OF KEY MANAGEMENT PERSONNEL

	SHORT-TERM BENEFITS			POST EMPLOYMENT	LONG-TERM BENEFITS	SECURITY-BASED PAYMENT	TOTAL	% PER-FORMANCE RELATED
2010	SALARY & FEES	CASH BONUS	NON-MONETARY BENEFITS	SUPER-ANNUATION	LONG SERVICE LEAVE	OPTIONS		
Non-executive directors								
J Thame - Chairman	177,890	-	-	14,461	-	-	192,351	-
W Bartlett	79,817	-	-	7,183	-	-	87,000	-
D Bastian	53,762	-	-	36,238	-	-	90,000	-
D Bluth	34,000	-	-	50,000	-	-	84,000	-
M Irving	108,000	-	-	-	-	-	108,000	-
Sub-total non-executive directors	453,469	-	-	107,882	-	-	561,351	-
Executive Directors								
F Wolf - Managing Director	1,150,000	1,000,000	4,279	50,000	19,660	-	2,223,939	45%
L Lloyd - Managing Director, Property Services	300,000	150,000	-	50,000	5,513	-	505,513	30%
Other key management personnel								
R de Aboitiz - Chief Financial Officer	455,539	125,000	-	14,461	-	-	595,000	21%
T Hardwick - Director Funds Management	455,539	-	-	14,461	-	-	470,000	-
C Laird - Director Joint Ventures*	385,539	125,000	-	14,461	-	-	525,000	24%
J L'Estrange - General Manager Property Finance	397,539	75,000	4,279	32,461	7,056	-	516,335	15%
P Strain - Director Property	385,539	150,000	4,279	14,461	12,279	-	566,558	26%
E Varejes - Chief Operating Officer	442,000	150,000	4,279	28,000	-	-	624,279	24%
Sub-total executive KMP	3,971,695	1,775,000	17,116	218,305	44,508	-	6,026,624	
Total	**4,425,164**	**1,775,000**	**17,116**	**326,187**	**44,508**	**-**	**6,587,975**	

*C Laird did not meet the definition of a key management person under AASB 124 for the 2009 financial year but is a key management person for 2010.

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TABLE 1: REMUNERATION OF KEY MANAGEMENT PERSONNEL

2009	SHORT-TERM BENEFITS			POST EMPLOYMENT	LONG-TERM BENEFITS	SECURITY-BASED PAYMENT	TOTAL	% PERFORMANCE RELATED
	SALARY & FEES	CASH BONUS	NON-MONETARY BENEFITS	SUPERANNUATION	LONG SERVICE LEAVE	OPTIONS#		
Non-executive directors								
J Thame - Chairman	177,904	-	-	13,745	-	-	191,649	-
W Bartlett	75,229	-	-	6,953	-	-	82,182	-
D Bastian	-	-	-	97,400	-	-	97,400	-
D Bluth	-	-	-	91,400	-	-	91,400	-
M Irving	98,000	-	-	-	-	-	98,000	-
Sub-total non-executive directors	351,133	-	-	209,498	-	-	560,631	-
Executive Directors								
F Wolf - Managing Director	1,100,000	500,000	-	100,000	18,417	473,718	2,192,135	44%
L Lloyd - Managing Director, Property Services	250,000	-	-	100,000	7,066	147,115	504,181	29%
Other key management personnel								
R de Aboitiz - Chief Financial Officer	456,255	-	-	13,745	-	97,115	567,115	17%
T Hardwick - Director Funds Management	456,255	-	-	13,745	-	147,115	617,115	24%
J L'Estrange - General Manager Property Finance	398,255	-	-	31,745	9,363	147,115	586,478	25%
P Strain - Director Property	300,000	-	-	50,000	9,319	130,449	489,768	27%
E Varejes - Chief Operating Officer	396,250	-	-	73,750	-	147,115	617,115	24%
Sub-total executive KMP	3,357,015	500,000	-	382,985	44,165	1,289,742	5,573,907	
Total	**3,708,148**	**500,000**	**-**	**592,483**	**44,165**	**1,289,742**	**6,134,538**	

#These payments relate to options issued in prior periods. The options were cancelled on 30 June 2009 with the termination of the Executive Performance Award Plan.

directors report

30 June 2010

Signed in accordance with a resolution of the directors.

John Thame	Frank Wolf
Chairman	Managing Director

Sydney, 27 August 2010

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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 2010, 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

K. Zdrilic
Partner
27 August 2010

consolidated income statement

Year ended 30 June 2010

	NOTES	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2010 $'000	PARENT 2009 $'000
REVENUE					
Rental income		71,238	78,927	558	484
Finance income	6a	17,940	18,243	2,338	1,049
Funds management income	6b	20,175	20,065	-	715
Net change in fair value of investment properties derecognised		2,116	1,784	-	-
Net change in fair value of investments and financial instruments derecognised	6c	5,174	9,110	1,549	4,824
Share of profit from equity accounted investments	17b	6,463	8,801	197	9,107
Income from distributions		1,784	1,512	13,040	30,652
Total Revenue and Other Income		**124,890**	**138,442**	**17,682**	**46,831**
Property expenses & outgoings		(11,677)	(11,406)	(324)	(177)
Depreciation, amortisation and impairment expense	7a	(4,728)	(1,994)	-	-
Net change in fair value of derivatives	7b	(6,247)	(51,420)	(826)	(3,447)
Net change in fair value of investment properties held at balance date		(18,775)	(107,518)	-	(2,954)
Net change in fair value of investments held at balance date	7c	(7,100)	(5,908)	(883)	(5,851)
Finance costs	7d	(29,722)	(44,864)	(493)	(6,969)
Administrative and other expenses	7e	(20,982)	(19,500)	(1,083)	683
PROFIT / (LOSS) BEFORE TAX		**25,659**	**(104,168)**	**14,073**	**28,116**
Income tax benefit / (expense)	8a	(666)	1,178	(1,471)	866
PROFIT / (LOSS) AFTER TAX		**24,993**	**(102,990)**	**12,602**	**28,982**

abacus property group

	NOTES	CONSOLIDATED		PARENT	
		2010 $'000	2009 $'000	2010 $'000	2009 $'000
PROFIT / (LOSS) AFTER TAX		**24,993**	**(102,990)**	**12,602**	**28,982**
less: net (profit) / loss attributable to non-controlling interests					
AT members		(28,424)	105,975	-	-
AGPL members		8,596	3,161	-	-
AIT members		(5,556)	1,829	-	-
External		443	578	-	-
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF AGHL		**52**	**8,553**	**12,602**	**28,982**

	NOTES	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2010 $'000	PARENT 2009 $'000
Net profit / (loss) attributable to members of the Group analysed by amounts attributable to:					
AGHL members		52	8,553	12,602	28,982
AT members		28,424	(105,975)	-	-
AGPL members		(8,596)	(3,161)	-	-
AIT members		5,556	(1,829)	-	-
NET PROFIT / (LOSS) AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE GROUP		**25,436**	**(102,412)**	**12,602**	**28,982**
Basic and diluted earnings / (loss) per stapled security (cents)	**10**	**1.53**	**(11.81)**		
Basic and diluted earnings / (loss) per parent share (cents)	10			0.76	3.34

consolidated statement of other comprehensive income

Year ended 30 June 2010

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
NET PROFIT / (LOSS) AFTER TAX	24,993	(102,990)	12,602	28,982
OTHER COMPREHENSIVE INCOME				
Revaluation of assets, net of tax	(706)	1,048	-	-
Foreign exchange translation adjustments, net of tax	53	(469)	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	24,340	(102,411)	12,602	28,982
Total comprehensive income / (loss) attributable to:				
Members of the APG Group	24,783	(101,833)	-	-
External non-controlling interest	(443)	(578)	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	24,340	(102,411)	12,602	28,982

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Total comprehensive income / (loss) attributable to members of the Group analysed by amounts attributable to:				
AGHL members	(916)	8,922	12,602	28,982
AT members	28,424	(105,975)	-	-
AGPL members	(8,281)	(2,951)	-	-
AIT members	5,556	(1,829)	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE GROUP	24,783	(101,833)	12,602	28,982

consolidated statement of distribution

Year ended 30 June 2010

	NOTES	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2010 $'000	PARENT 2009 $'000
STATEMENT OF DISTRIBUTION					
Net profit / (loss) attributable to stapled security holders		25,436	(102,412)	12,602	28,982
Transfer from / (to) retained earnings		8,615	149,666	(12,602)	(28,982)
Distributions paid and payable	**9**	**34,051**	**47,254**	**-**	**-**
Distribution per stapled security (cents per security)	9	2.25	7.00	-	-
Weighted average number of securities ('000)	**10**	**1,662,482**	**867,488**	**-**	**-**

consolidated statement of financial position

30 June 2010

	NOTES	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2010 $'000	PARENT 2009 $'000
CURRENT ASSETS					
Cash and cash equivalents	11	21,792	9,124	996	275
Trade and other receivables	12	8,842	22,093	1,342	6,889
Property, plant and equipment held for sale	14	20,901	-	-	-
Inventory	15a	60,176	5,264	-	-
Investment properties held for sale	16	91,327	44,289	-	-
Property loans	13a	87,011	99,957	9,902	10,851
Other financial assets	13b	2,189	6,187	2,189	6,082
Other		1,949	1,391	288	104
TOTAL CURRENT ASSETS		294,187	188,305	14,717	24,201
NON-CURRENT ASSETS					
Property, plant and equipment	14	9,249	32,276	-	-
Inventory	15b	30,891	-	-	-
Investment properties	16	617,735	708,550	6,400	6,450
Property loans	13c	325,199	303,342	34,251	31,483
Other financial assets	13d	47,057	34,054	143,519	113,678
Equity accounted investments	17	127,710	127,469	-	-
Deferred tax assets	8c	13,186	11,329	6,394	4,283
Intangible assets and goodwill	18	35,173	38,225	32,394	32,394
Other		4,914	2,243	14	-
TOTAL NON-CURRENT ASSETS		1,211,114	1,257,488	222,972	188,288
TOTAL ASSETS		1,505,301	1,445,793	237,689	212,489
CURRENT LIABILITIES					
Trade and other payables	19b	13,001	13,272	395	466
Interest-bearing loans and borrowings	20a	240,706	61,829	2,297	601
Other		2,693	2,832	-	-
TOTAL CURRENT LIABILITIES		256,400	77,933	2,692	1,067
NON-CURRENT LIABILITIES					
Trade and other payables	19b	4,065	6,676	-	-
Interest-bearing loans and borrowings	20b	110,435	329,555	1,299	2,637
Derivatives at fair value	21	30,320	40,035	4,125	3,313
Deferred tax liabilities	8c	284	355	-	-
Other		928	1,512	142,978	134,702
TOTAL NON-CURRENT LIABILITIES		146,032	378,133	148,402	140,652
TOTAL LIABILITIES		402,432	456,066	151,094	141,719
NET ASSETS		1,102,869	989,727	86,595	70,770
TOTAL EQUITY		1,102,869	989,727	86,595	70,770

	NOTES	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2010 $'000	PARENT 2009 $'000
Equity attributable to members of AGHL:					
Contributed equity		51,963	45,734	53,009	47,064
Reserves		1,900	2,868	5,448	5,448
Retained earnings		13,186	13,020	28,138	18,258
Total equity attributable to members of AGHL		67,049	61,622	86,595	70,770
Equity attributable to members of AT:					
Contributed equity		837,064	745,141	-	-
Retained earnings / (accumulated losses)		(58,057)	(53,713)	-	-
Total equity attributable to members of AT		779,007	691,428	-	-
Equity attributable to members of AGPL:					
Contributed equity		9,459	8,392	-	-
Reserves		(85)	(400)		
Retained earnings / (accumulated losses)		(11,740)	(3,144)	-	-
Total equity attributable to members of AGPL		(2,366)	4,848	-	-
Equity attributable to members of AIT:					
Contributed equity		212,031	188,230	-	-
Retained earnings		33,349	29,190	-	-
Total equity attributable to members of AIT		245,380	217,420	-	-
Equity attributable to external non-controlling interest:					
Contributed equity		13,437	14,493	-	-
Retained earnings / (accumulated losses)		362	(84)	-	-
Total equity attributable to external non-controlling interest		13,799	14,409	-	-
TOTAL EQUITY		**1,102,869**	**989,727**	**86,595**	**70,770**
EQUITY					
Contributed equity	23	1,110,517	987,497	53,009	47,064
Reserves		1,815	2,468	5,448	5,448
Retained earnings / (accumulated losses)		(23,262)	(14,647)	28,138	18,258
Total stapled security holders' interest in equity		1,089,070	975,318	86,595	70,770
Total external non-controlling interest		13,799	14,409	-	-
TOTAL EQUITY		**1,102,869**	**989,727**	**86,595**	**70,770**

statement of changes in equity

Year ended 30 June 2010

CONSOLIDATED	ATTRIBUTABLE TO THE STAPLED SECURITY HOLDER					EXTERNAL	
	ISSUED CAPITAL $'000	ASSET REVALUATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION $'000	EMPLOYEE EQUITY BENEFITS $'000	RETAINED EARNINGS $'000	NON-CONTROLLING INTEREST $'000	TOTAL EQUITY $'000
At 1 July 2009	987,497	1,048	(4,028)	5,448	(14,647)	14,409	989,727
Other comprehensive income/(expense)	-	(706)	53	-	-	-	(653)
Net income for the year	-	-	-	-	25,436	(443)	24,993
Total comprehensive income for the period	**-**	**(706)**	**53**	**-**	**25,436**	**(443)**	**24,340**
Equity raisings	106,265	-	-	-	-	-	106,265
Distribution reinvestment plan	14,272	-	-	-	-	-	14,272
Treasury units	4,720	-	-	-	-	-	4,720
Issue costs	(2,237)	-	-	-	-	-	(2,237)
Distribution to security holders	-	-	-	-	(34,051)	(167)	(34,218)
At 30 June 2010	1,110,517	342	(3,975)	5,448	(23,262)	13,799	1,102,869

	ATTRIBUTABLE TO THE STAPLED SECURITY HOLDER					EXTERNAL	
CONSOLIDATED	ISSUED CAPITAL $'000	ASSET REVALUATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION $'000	EMPLOYEE EQUITY BENEFITS $'000	RETAINED EARNINGS $'000	NON-CONTROLLING INTEREST $'000	TOTAL EQUITY $'000
At 1 July 2008	**771,502**	**-**	**(3,559)**	**3,906**	**134,590**	**18,560**	**924,999**
Other comprehensive income / (expense)	-	1,048	(469)	-	-	-	579
Net loss for the year	-	-	-	-	(102,412)	(578)	(102,990)
Total comprehensive income/expense for the period	**-**	**1,048**	**(469)**	**-**	**(102,412)**	**(578)**	**(102,411)**
Equity raisings	211,880	-	-	-	-	-	211,880
Distribution reinvestment plan	8,996	-	-	-	-	-	8,996
Issue costs	(4,881)	-	-	-	-	-	(4,881)
Securities issued	-	-	-	-	-	8,461	8,461
Acquisition of interest in Abacus Wollongong Trust	-	-	-	-	-	(126)	(126)
Minority interest in acquisition of Abacus Jigsaw Trust	-	-	-	-	-	5,680	5,680
Sale of interest U-Stow-It Holdings	-	-	-	-	(286)	(15,586)	(15,872)
Sale of interest Fern Bay	-	-	-	-	(65)	-	(65)
Sale of interest in Hobart Growth	-	-	-	-	-	(2,002)	(2,002)
Distribution to security holders	-	-	-	-	(46,474)	-	(46,474)
Share based payments	-	-	-	1,542	-	-	1,542
At 30 June 2009	**987,497**	**1,048**	**(4,028)**	**5,448**	**(14,647)**	**14,409**	**989,727**

statement of changes in equity (continued)

Year ended 30 June 2010

PARENT	ISSUED CAPITAL $'000	EMPLOYEE EQUITY BENEFITS $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
At 1 July 2009	47,064	5,448	18,258	70,770
Net income for the year	-	-	12,602	12,602
Total comprehensive income for the period	-	-	12,602	12,602
Equity raisings	5,240	-	-	5,240
Distribution reinvestment plan	705	-	-	705
Share based payments	-	-	(2,722)	(2,722)
At 30 June 2010	53,009	5,448	28,138	86,595

PARENT	ISSUED CAPITAL $'000	EMPLOYEE EQUITY BENEFITS $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
At 1 July 2008	33,116	3,906	(10,724)	26,298
Net income for the year	-	-	28,982	28,982
Total comprehensive income for the period	-	-	28,982	28,982
Equity raisings	13,533	-	-	13,533
Distribution reinvestment plan	415	-	-	415
Share based payments	-	1,542	-	1,542
At 30 June 2009	47,064	5,448	18,258	70,770

consolidated cash flow statement

Year ended 30 June 2010

	NOTES	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2010 $'000	PARENT 2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Income receipts		134,581	156,870	1,840	7,635
Interest received		632	1,215	56	31
Distributions received		1,211	688	1,050	591
Income tax paid		(2,447)	(118)	-	-
Borrowing costs paid		(26,297)	(43,967)	(493)	(727)
Operating payments		(43,075)	(49,100)	(1,976)	(2,552)
NET CASH FLOWS FROM OPERATING ACTIVITIES	11	**64,605**	**65,588**	**477**	**4,978**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for investments and funds advanced		(76,665)	(179,692)	(54,120)	(49,685)
Proceeds from sale and settlement of investments and funds repaid		54,214	83,400	48,318	29,245
Purchase of property, plant and equipment		(185)	(150)	-	-
Disposal of property, plant and equipment		944	-	-	-
Disposal of controlled entity		-	25,424	-	-
Purchase of investment properties		(37,143)	(55,983)	-	(1,105)
Disposal of investment properties		62,556	54,020	-	-
Purchase of inventories		(86,995)	-	-	-
Payment for other investments		(1,345)	10,336	(256)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(84,619)**	**(62,645)**	**(6,058)**	**(21,545)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of stapled securities		110,986	211,463	5,945	13,948
Payment of issue / finance costs		(8,101)	(5,787)	-	-
Repayment of borrowings		(300,771)	(309,424)	-	-
Proceeds from borrowings		250,958	123,964	357	554
Distributions paid		(20,452)	(60,895)	-	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**32,620**	**(40,679)**	**6,302**	**14,502**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**12,606**	**(37,736)**	**721**	**(2,065)**
Net foreign exchange differences		62	83	-	-
Cash and cash equivalents at beginning of year		9,124	46,777	275	2,340
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	**21,792**	**9,124**	**996**	**275**

notes to the financial statements

30 June 2010

1. CORPORATE INFORMATION

Abacus Property Group ("APG" or the "Group") is comprised of Abacus Group Holdings Limited ("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 and have been stapled together so that neither can be dealt with without the other. The securities trade as one security on the Australian Securities Exchange ("the "ASX") under the code ABP.

The financial report of the Group for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 27 August 2010.

The nature of the operations and principal activities of the Group are described in the Directors' Report

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. 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 and associates which are accounted for using the equity method, and certain investments and financial assets measured at fair 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.

The Corporations Amendment (Corporate Reporting Reform) Act 2010 was enacted in June 2010 and has amended the Corporations Act so that a consolidated reporting group is required to prepare consolidated financial statements rather than parent entity financial statements. The Group have applied ASIC Class Order 10/654, issued by the Australian Securities and Investments Commission, which allows disclosing entities that present consolidated financial statements to include parent entity financial statements. In addition, the class order also provides relief from presenting summarised parent entity information in the consolidated financial statements.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS), as issued by the IASB.

(c) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year and the Group has adopted the new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2009.

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described on following page:

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

AASB 127 Consolidated and Separate Financial Statements (revised 2008)

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

AASB 7 Financial Instruments: Disclosures

The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 22 (vi). The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 22 (ii).

AASB 8 Operating Segments

AASB 8 replaced AASB 114 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in note 5, including the related revised comparative information.

AASB 101 Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two linked statements.

The change in accounting policies above were applied prospectively and had no material impact on earnings per share.

(ii) Accounting Standards and Interpretations issued but not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2010. These are outlined in the table on the following page.

notes to the financial statements

30 June 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs property, plant & equipment) needs to be determined. The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity: - has primary responsibility for providing the goods or service; - has inventory risk - has discretion in establishing prices - bears the credit risk The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The main change to AASB139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.	1 January 2010	The Group will be required to review and revise presentation, recognition or measurement where required for the Accounting Standards noted, particularly, AASB 117 - Leases and AASB 107 - Cash Flow.	1 July 2010

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REFERENCE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB 9 Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be deregistered and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	The Group will review the classification of its financial assets in line with the standard, such as secured and related party loans and options.	1 July 2013

REFERENCE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	The revised Standards introduces a number of changes to the accounting for financial assets, the most significant of which includes: - two categories for financial assets being amortised cost or fair value - removal of the requirement to separate embedded derivatives in financial assets - strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows. - an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition. - reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes. - changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income.	1 January 2013	The Group will review the classification of its financial assets in line with the standard, such as secured and related party loans and options.	1 July 2013
AASB 124 Related Party Disclosures	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and (c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	The revision will not have a significant impact on the Group's financial statements. The Group will review the definitions to clarify the disclosure requirements.	1 July 2011

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REFERENCE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB 2010-3	Limits the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB3 Revised is not restated.	1 July 2010	The revision will not have a significant impact on the Group's financial statements. The Group will review the revision to clarify the disclosure requirements.	1 July 2010
AASB 2010-4	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.	1 January 2011	The revision will not have a significant impact on the Group's financial statements. The Group will review the revision to clarify the disclosure requirements.	1 July 2011
AASB 2009-12	The amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party.	1 January 2011	The revision will not have a significant impact on the Group's financial statements. The Group will review the revision to clarify the disclosure requirements.	1 July 2011

*designates the beginning of the applicable annual reporting period

AASB 2009-8, AASB 2009-9, AASB 2009-10, AASB 2009-13, AASB 2009-14, AASB 1053, AASB 2010-2 and Interpretation 19 will have no application to the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 collectively referred to as the Group.

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

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

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Non-controlling interests represent those equity interests in Abacus Jigsaw Trust and Abacus Independent Retail Property Trust that are not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet.

(e) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of the Group are in Australian dollars. Each entity in the Group determines its own functional currency and items are included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

At reporting date the assets and liabilities of these entities are translated into the presentation currency of the Group at the rate of exchange prevailing at balance date and the financial performance is translated at the average exchange rate prevailing during the reporting period. The exchange differences arising on translation are taken directly to the foreign currency translation reserve in equity.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rental income

Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

Finance Income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends and distributions

Revenue is recognised when the Group's right to receive the payment is established.

Net change in fair value of investments and financial instruments derecognised during the year

Revenue from sale of investments is recognised on settlement when the significant risks and rewards of the ownership of the investments have been transferred to the buyer. Risks and rewards are generally considered to have passed to the buyer at the time of settlement of the sale. Financial instruments are derecognised when the right to receive or pay cash flows from the financial derivative has expired or when the entity transfers substantially all the risks and rewards of the financial derivative through termination. Gains or losses due to derecognition are recognised in the statement of comprehensive income.

Net change in fair value of investments held at balance date

Change in net market value of investments is recognised as revenue or expense in determining the net profit for the period.

Property development sales

Revenue from property development sales is recognised when the significant risks, rewards of ownership and effective control has been transferred to the purchaser which has been determined to occur upon settlement and after contractual duties are completed.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return or there is continuing management involvement to the degree usually associated with ownership.

(g) Expenses

Expenses including rates, taxes and other outgoings, are brought to account on an accrual basis and any related payables are carried at cost.

(h) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(i) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised at amortised cost, which in the case of the Group, is the original invoice amount less an allowance for any uncollectible amounts.

Collectibility of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that collection of the full amount is no longer probable. Bad debts are written off when identified.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss for the year.

The fair values of interest rate swaps are determined by reference to market values for similar instruments.

(k) Investments and other financial assets

All investments are initially recognised at cost, being the fair value of the consideration given.

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale financial assets. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. At 30 June 2009 the Group's investments in listed and unlisted securities have been classified as either financial assets at fair value through profit or loss and property loans are classified as loans and receivables.

Recognition and derecognition

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the assets. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

Financial assets at fair value through profit or loss

For investments where there is no quoted market or unit price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

After initial recognition, investments, which are classified as held for trading, are measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on investments held for trading are recognised in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Securities Exchange quoted market bid prices at the close of business on the balance sheet date.

A financial asset or financial liability at fair value through the profit and loss is also a financial asset or financial liability that upon initial recognition is designated by the entity as at fair value through the profit and loss. APG uses this designation where doing so results in more relevant information. This group of financial assets and liabilities are managed and their performance evaluated on a fair value basis, in accordance with APG's documented risk management and investment strategy which outlines that these assets and liabilities are managed on a total rate of return basis, and information about the instruments is provided internally on that basis to the entity's key management personnel and the Board.

APG enters into loans and receivables with associated options that provide for a variety of outcomes including repayment of principal and interest, satisfaction through obtaining interests in equity or property or combinations thereof. The fair value of the maximum exposure to credit risk in relation to these instruments was $35.4 million (2009: $18 million).

Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Investments and other financial assets (continued)

Subsidiaries

Investment in subsidiaries are held at lower of cost or recoverable amount.

(l) Investment in associates

The Group's investment in its associates is accounted for under the equity method of accounting in the consolidated financial statements. The associates are entities over which the Group has significant influence but not control and accordingly are neither subsidiaries nor joint ventures.

The investment in the associates is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivable and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Investments in associates held by the parent are held at cost in the parent's financial statements.

(m) Interest in joint ventures

Joint venture entities

The Group's interest in joint venture entities is accounted for under the equity method of accounting in the consolidated financial statements. The investment in the joint venture entities is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the joint ventures.

Investments in joint ventures are held at cost in the investing entities.

Joint venture assets

The Group's interest in joint venture assets is accounted for in the financial statements by proportionately consolidating its interests in the assets and liabilities of the joint venture. The Group also recognises its share of the expenses that the joint venture incurs and its share of the income that the joint venture earns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Property, plant and equipment

Land and buildings are measured at fair value, based on periodic valuations by external independent valuers, less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings – 40 years

Plant and equipment – over 5 to 15 years

Revaluations of land and buildings

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss except to the extent that it offsets a previous revaluation increase for the same asset in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

(o) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time that the cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of development with a view to sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Investment properties (continued)

For a transfer from investment property to inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss. When the Group completes the construction or development of a "self-constructed investment property", any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Land and buildings are considered to have the function of an investment and are therefore regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than diminution in value of the building content due to the passing of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

The directors obtain independent valuations on investment properties annually to ensure that the carrying amount does not differ materially from the assets' fair value. The cycle of this review is staggered such that investment properties are independently revalued in either the June or the December reporting cycles. In determining fair value, the capitalisation of net income method and the discounting of future cashflows to their present value have been used.

Lease incentives provided by the Group to lessees, and rental guarantees which may be received by the Group from third parties (arising from the acquisition of investment properties) are included in the measurement of fair value of investment property and are treated as separate assets. Such assets are amortised over the respective periods to which the lease incentives and rental guarantees apply, either using a straight-line basis, or a basis which is more representative of the pattern of benefits.

Under AASB 140, investment properties, including any plant and equipment, are not subject to depreciation. However, depreciation allowances in respect of certain buildings, plant and equipment are currently available to investors for taxation purposes.

Gains and losses arising from changes in the fair value of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the sale of investment properties are recognised in the income statement in the year of sale.

(p) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as lessee

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the lease assets are classified as operating leases. The initial direct cost incurred in negotiating an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Goodwill and Intangibles

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This policy for Goodwill is for acquisitions pre 1 July 2009.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less that the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. Following initial recognition, intangibles are carried at cost less accumulated amortisation and impairment losses.

Intangible assets created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset maybe impaired. The amortisation period and the amortisation method for an intangible asset with a finite life is reviewed at least each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefit embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the income statement through the 'depreciation and amortisation expense' line item.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other that goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(s) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(t) Provisions and employee leave benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(u) Distributions and dividends

The Trusts generally distribute their distributable assessable income to their unitholders. Such distributions are determined by reference to the taxable income of the respective Trusts. Distributable income may include capital gains arising from the disposal of investments and tax-deferred income. Unrealised gains and losses on investments that are recognised as income are usually retained and are generally not assessable or distributable until realised. Capital losses are not distributed to security holders but are retained to be offset against any future realised capital gains.

A liability for dividend or distribution is recognised in the Balance Sheet if the dividend or distribution has been declared, determined or publicly recommended prior to balance date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid in the establishment of loan facilities that are yield related are included as part of the carrying amount of loans and borrowings.

Borrowings are classified as current liabilities where the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred unless they relate to a qualifying asset or to upfront borrowing establishment and arrangement costs, which are deferred and amortised as an expense over the life of the facility or five years whichever is shorter. A qualifying asset is an asset that generally takes more than 12 months to get ready for its intended use or sale. In these circumstances, the financing costs are capitalised into the cost of the asset. Where funds are borrowed by the Group for the acquisition or construction of a qualifying asset, the amount of the borrowing costs capitalised are those incurred in relation to the borrowing.

(w) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Stapled securities are classified as equity. Incremental costs directly attributable to the issue of new securities are shown in equity as a deduction, net of tax, from the proceeds.

(x) Transfers to (from) total equity

In respect of the Group, revaluation increments or decrements arising from changes in the fair value of investment properties and derivative financial instruments, unrealised gains and losses in the net value of investments, accrued income not yet assessable and expenses provided for or accrued not yet deductible, net capital losses and tax free or tax deferred amounts maybe transferred to equity and may not be included in the determination of distributable income.

(y) Non-current assets held for sale

Before classification as held for sale the measurement of the assets is updated. Upon classification as held for sale, assets are recognised at the lower of carrying amount and fair value less costs to sell.

Gains and losses from revaluations on initial classification and subsequent re-measurement are recognised in the income statement.

(z) Inventories (property development)

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of sales in the ordinary course of business. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value. The amount of any reversal of write-down of inventories arising from a change in the circumstances that gave rise to the original write down, is recognised as a reduction in the impairment of inventories recognised as an expense. Cost includes the purchase consideration, development and holding costs such as borrowing costs, rates and taxes.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(za) Taxation

The Group comprises taxable and non-taxable entities. A liability for current and deferred tax and tax expense is only recognised in respect of taxable entities that are subject to income tax and potential capital gains tax as detailed below.

Abacus Trust and Abacus Income Trust

Under current Australian income tax legislation neither AT or AIT are liable to Australian income tax provided security holders are presently entitled to the taxable income of the Trusts and the Trusts generally distribute their taxable income.

Company income tax

AGHL and its Australian resident wholly-owned subsidiaries have formed a Tax Consolidation Group. AGHL has entered into tax funding agreements with its Australian resident wholly-owned subsidiaries, so that each subsidiary agrees to pay or receive its share of the allocated tax at the current tax rate.

The head entity, AGHL and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts.

In addition to its own current and deferred tax amounts, AGHL also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable of payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(za) Taxation (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(zb) Earnings per stapled security (EPSS)

Basic EPSS is calculated as net profit attributable to stapled securityholders, adjusted to exclude costs of servicing equity (other than distributions) divided by the weighted average number of stapled securities on issue during the period under review.

Diluted EPSS is calculated as net profit attributable to stapled securityholders, adjusted for:

- costs of servicing equity (other than distributions); the after tax effect of dividends and interest associated with dilutive potential stapled securities that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential stapled securities;

divided by the weighted average number of stapled securities and dilutive potential stapled securities, adjusted for any bonus element.

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3. FINANCIAL RISK MANAGEMENT

The risks arising from the use of the Group's financial instruments are credit risk, liquidity risk and market risk (interest rate risk , price risk and foreign currency risk).

The Group's financial risk management focuses on mitigating the unpredictability of the financial markets and its impact on the financial performance of the Group. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Primary responsibility for identification and control financial risks rests with the Treasury Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in derivatives, hedging cover of interest rate risks and cash flow forecast projections.

The main purpose of the financial instruments used by the Group is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions principally interest rate swaps. The purpose is to manage the interest rate exposure arising from the Group's operations and its sources of finance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in notes 2 and 4 to the financial statements.

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, investment in securities, secured property loans and interest bearing loans and derivatives with banks.

The Group manages its exposure to risk by:

- derivative counterparties and cash transactions are limited to high credit quality financial institutions;
- policy which limits the amount of credit exposure to any one financial institution;
- providing loans as an investment into joint ventures, associates, related parties and third parties where it is comfortable with the underlying property exposure within that entity;
- regularly monitoring loans and receivables balances on an ongoing basis;
- regularly monitoring the performance of its associates, joint ventures, related parties and third parties on an ongoing basis; and
- obtaining collateral as security (where required or appropriate).

The Group's credit risk is predominately driven by its Property Finance business which provides loans to third parties, those using the funds for property development. The Group mitigates the exposure to this risk by evaluation of the application before acceptance. The analysis will specifically focus on:

- the Loan Valuation Ratio (LVR) at drawdown;
- mortgage ranking;
- background of the developer (borrower) including previous developments;
- that the terms and conditions of higher ranking mortgages are acceptable to the Group;
- appropriate property insurances are in place with a copy provided to the Group; and
- market analysis of the completed development being used to service drawdown.

The Group also mitigates this risk by ensuring adequate security is obtained and timely monitoring of the financial instrument to identify any potential adverse changes in the credit quality.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding though an adequate and diverse amount of committed credit facilities, the ability to close out market positions and the flexibility to raise funds through the issue of new stapled securities or the distribution reinvestment plan.

The Group's policy is to maintain an available loan facility with banks sufficient to meet expected operational expenses and to finance investment acquisitions for a period of 90 days, including the servicing of financial obligations. Current loan facilities are assessed and extended for a maximum period based on the Group's expectations of future interest and market conditions.

As at 30 June 2010, the Group had undrawn committed facilities of $284 million and cash of $21.8 million which are adequate to cover short term funding requirements.

Further information regarding the Group's debt profile is disclosed in Note 20.

(c) Refinancing Risk

Refinancing risk is the risk that unfavorable interest rate and credit market conditions result in an unacceptable increase in the Group's credit margins and interest cost. Refinancing risk arises when the Group is required to obtain debt to fund existing and new debt positions.

The Group is exposed to refinancing risks arising from the availability of finance as well as the interest rates and credit margins at which financing is available. The Group manages this risk by spreading maturities of borrowings and interest rate swaps and reviewing potential transactions to understand the impact on the Group's credit worthiness.

(d) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Group is exposed to currency risk on its investment in foreign operations, equity investments, investment in associates and property loans denominated in a currency other than the functional currency of Group entities. The currencies in which these transactions primarily are denominated in NZD and to much lesser extent GBP and SGD.

As a result the Group's balance sheet can be affected by movements in the A$/NZ$, A$/GBP£ and A$/SGD$ exchange rates.

The Group borrows loan funds in New Zealand dollars to substantially match the foreign currency property asset value exposure with a corresponding foreign currency liability and therefore expects to substantially mitigate foreign currency risk on its New Zealand denominated asset values.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group's aim is to keep between 60% and 100% of its borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2010, after taking into account the effect of interest rate swaps, approximately 51.2% of the Group's borrowings are subject to fixed rate agreements (2009: 76.3%).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market Risk (continued)

Fair value interest rate risk

As the Group holds interest rate swaps against its variable rate debt there is a risk that the economic value of a financial instrument will fluctuate because of changes in market interest rates. The level of fixed rate debt is disclosed in note 20 and it is acknowledged that this risk is a by-product of the Group's attempt to manage its cash flow interest rate risk.

(e) Other market price risk

The Group is exposed to equity securities price risk. The key risk variable is the quoted price of securities which is influenced by a range of factors, most of which are outside the control of the Group. Management of the Group monitors the securities in its investment portfolio based on market indices and published prices. Investments within the portfolio are managed on an individual basis and all buy / sell decisions are approved by the Managing Director and the Chief Financial Officer.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgments

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and tax losses on revenue account as management considers that it is probable that future taxable profits will be available to utilise those temporary differences and tax losses.

Classification of and valuation of investments

The Group has decided to classify investments in listed and unlisted securities as 'held for trading' investments and movements in fair value are recognised directly in profit or loss. The fair value of listed securities has been determined by reference to published price quotations in an active market. The fair value of unlisted securities has been determined by reference to the net assets of the entity and available redemption facilities.

Impairment of property loans and financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. For property loans and interim funding to related funds this involves value in use calculations, which incorporate a number of key estimates and assumptions around cashflows and fair value of underlying investment properties held by the borrower and expected timing of cashflows from equity raisings of related funds.

Accounting policy – financial assets and liabilities at fair value through profit and loss

A financial asset or financial liability at fair value through profit or loss is also a financial asset or financial liability that upon initial recognition is designated by the entity as at fair value through profit or loss. APG uses this designation where doing so results in more relevant information, because it is a group of financial assets and liabilities which is managed and its performance is evaluated on a fair value basis, in accordance with APG's documented risk management and investment strategy, and information about the instruments is provided internally on that basis to the entity's key management personnel and the Board.

Control and significant influence

Determination of whether the Group has control or significant influence over an investee is based on

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

judgemental assessments of both the rights the Group has in the investee and the risks and rewards it is exposed to

(ii) Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. For goodwill this involves value in use calculations which incorporate a number of key estimates and assumptions around cash flows and fair value of investment properties upon which these determine the revenue / cash flows. No impairment loss was recognised in the current year in respect of goodwill, however, an impairment was recognised for licenses.

Fair value of derivatives

The fair value of derivatives is determined using closing quoted market prices (where there is an active market) or a suitable pricing model based on discounted cash flow analysis using assumptions supported by observable market rates. Where the derivatives are not quoted in an active market their fair value has been determined using (where available) quoted market inputs and other data relevant to assessing the value of the financial instrument, including financial guarantees granted by the Group, estimates of the probability of exercise.

Valuation of investment properties

The Group makes judgements in respect of the fair value of investment properties (note 2(o)). The fair value of these properties are reviewed regularly by management with reference to annual external independent property valuations and market conditions existing at reporting date, using generally accepted market practices. The assumptions underlying estimated fair values are those relating to the receipt of contractual rents, expected future market rentals, maintenance requirements, capitalisation rates discount rates that reflect current market uncertaintities and current and recent property investment prices. If there is any material change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may differ and may need to be re-estimated.

5. SEGMENT INFORMATION

The Group predominantly operates in Australia. Following are the Group's operating segments, which are regularly reviewed by the Chief Operating Decision Maker to make decisions about resources allocation and to assess performance:

(a) Property: the segment is responsible for the investment in and ownership of commercial, retail and industrial properties. This segment also includes the equity accounting of material co-investments in property trusts not engaged in development and construction projects;

(b) Funds Management: the segment includes development, origination and fund management revenues and expenses in addition to discharging the Group's responsible entity obligations;

(c) Property Finance: provides mortgage lending and related property financing solutions; and

(d) Joint Venture and Developments: the segment is responsible for the Group's investment in joint venture development and construction projects, which includes revenue from debt and equity investments in joint ventures. This segment also is responsible for the Group's investment in property securities.

Segment revenue, segment expenses and segment result do not include transactions between operating segments.

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5. SEGMENT INFORMATION (CONTINUED)

YEAR ENDED 30 JUNE 2010	PROPERTY $'000	FUNDS MANAGEMENT $'000	PROPERTY FINANCE $'000	JOINT VENTURES/ DEVELOPMENTS $'000	TOTAL $'000
Revenue					
Revenue from external customers	72,567	20,897	12,607	4,433	110,504
Equity accounted investments	6,818	(729)	-	374	6,463
Net change in fair value of investments derecognised	5,670	-	-	1,620	7,290
Unallocated revenue					633
Total consolidated revenue	**85,055**	**20,168**	**12,607**	**6,427**	**124,890**
Direct costs	(16,405)	-	-	-	(16,405)
Allocated costs	(9,273)	(6,458)	(1,845)	(2,773)	(20,349)
Unallocated expenses					(633)
Segment result before fair value adjustments	**59,377**	**13,710**	**10,762**	**3,654**	**87,503**
Net change in fair value of investments held at balance date	(18,778)	-	-	(7,097)	(25,875)
Segment result after fair value adjustments	**40,599**	**13,710**	**10,762**	**(3,443)**	**61,628**
Finance costs including net change in fair value of derivatives					(35,969)
Profit before tax and non-controlling interest					25,659
Income tax expense					(666)
Net profit for the year					**24,993**
add non-controlling interest loss					443
Net profit for the period attributable to members of the Group					**25,436**
Assets and Liabilities					
Segment assets	891,193	253,259	87,595	195,025	1,427,072
Unallocated assets (a)	-	-	-	-	78,229
Total assets					**1,505,301**
Segment liabilities	8,463	10,472	1,849	1,849	22,633
Unallocated liabilities (b)	-	-	-	-	379,799
Total liabilities					**402,432**
Other segment information:					
Depreciation and amortisation	3,630	-	-	-	**3,630**

(a) Unallocated assets include goodwill, cash and other assets.
(b) Unallocated liabilities include interest-bearing liabilities, tax liabilities and other liabilities.

5. SEGMENT INFORMATION (CONTINUED)

YEAR ENDED 30 JUNE 2009	PROPERTY $'000	FUNDS MANAGEMENT $'000	PROPERTY FINANCE $'000	JOINT VENTURES/ DEVELOPMENTS $'000	TOTAL $'000
Revenue					
Revenue from external customers	79,147	14,839	14,447	9,099	117,532
Equity accounted investments	645	3,195	-	4,961	8,801
Net change in fair value of investments derecognised during the year	356	3,316	-	7,222	10,894
Unallocated revenue	-	-	-	-	1,215
Total consolidated revenue	**80,148**	**21,350**	**14,447**	**21,282**	**138,442**
Direct costs	(13,437)	-	-	-	(13,437)
Allocated costs	(7,020)	(8,106)	(1,560)	(1,562)	(18,248)
Unallocated expenses	-	-	-	-	(1,215)
Segment result before fair value adjustments	**59,691**	**13,244**	**12,887**	**19,720**	**105,542**
Net change in fair value of investments held at balance date	(107,518)	-	-	(5,908)	(113,426)
Segment result after fair value adjustments	**(47,827)**	**13,244**	**12,887**	**13,812**	**(7,884)**
Finance costs including net change in fair value of derivatives					(96,284)
Loss before tax and non-controlling interest					(104,168)
Income tax benefit					1,178
Net loss for the year					**(102,990)**
less non-controlling interest					578
Net loss for the period attributable to members of the Group					**(102,412)**
Assets and Liabilities					
Segment assets	896,822	223,371	146,162	126,524	1,392,879
Unallocated assets					52,914
Total assets					**1,445,793**
Segment liabilities	12,614	10,432	2,123	2,123	27,292
Unallocated liabilities					428,774
Total liabilities					**456,066**
Other segment information:					
Depreciation and amortisation	3,693	-	-	-	**3,693**

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6. REVENUE

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(a) Finance income				
Interest and fee income on secured loans	17,592	22,102	2,282	1,018
Provision for doubtful debts	(285)	(5,074)	-	-
Bank interest	633	1,215	56	31
Total finance income	**17,940**	**18,243**	**2,338**	**1,049**
(b) Funds Management Income				
Asset management fees	5,204	5,885	-	-
Property management fees	890	1,039	-	-
Consulting and other income	1,665	13,293	-	715
Interest on loans to funds management entities [1]	17,316	10,848	-	-
Impairment of loan as part of the restructuring of ADIFII	(4,900)	(11,000)	-	-
Total funds management income	**20,175**	**20,065**	**-**	**715**
(c) Net change in fair value of investments and financial instruments derecognised				
Net change in fair value of financial instruments derecognised	3,589	-	-	-
Net change in fair value of other investments derecognised	1,585	9,110	1,549	4,824
Total net change in fair value of investments and financial instruments derecognised	**5,174**	**9,110**	**1,549**	**4,824**

[1] No interest was charged on the loan owed by ADIFII in 2009.

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30 June 2010

7. EXPENSES

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(a) Depreciation, amortisation and impairment expense				
Depreciation of property, plant and equipment	589	778	-	-
Amortisation of software	32	31		
Impairment of intangible assets	3,064	-	-	-
Amortisation - leasing costs	1,043	1,185	-	-
Total depreciation, amortisation and impairment expense	**4,728**	**1,994**	**-**	**-**
(b) Net change in fair value of derivatives				
Interest rate swaps	5,247	48,420	(174)	447
Financial instruments (ADIFII guarantee)	1,000	3,000	1,000	3,000
Total net change in fair value of derivatives	**6,247**	**51,420**	**826**	**3,447**
(c) Net change in fair value of investments held at balance date				
Net change in fair value of property securities held at balance date	4,100	5,908	883	5,851
Net change in fair value of options held at balance date	3,000	-	-	-
Total change in fair value of investments held at balance date	**7,100**	**5,908**	**883**	**5,851**
(d) Finance costs				
Interest on loans	28,008	43,165	493	6,969
Amortisation of finance costs	1,714	1,699	-	-
Total finance costs	**29,722**	**44,864**	**493**	**6,969**
(e) Administrative expenses				
Wages and salaries	12,423	10,240	-	-
Share based payments	-	1,542	-	-
Other administrative expenses	8,559	7,718	1,083	(683)
Total administrative expenses	**20,982**	**19,500**	**1,083**	**(683)**

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8. INCOME TAX

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(a) Income tax expense				
The major components of income tax expense are:				
Income Statement				
Current income tax				
Current income tax charge	(5,781)	2,216	(243)	767
Adjustments in respect of current income tax of previous years	2,409	(41)	(2,077)	(23)
Deferred income tax				
Movement in depreciable assets tax depreciation	578	121	25	15
Relating to origination and reversal of temporary differences	3,460	(3,474)	3,766	(1,625)
Income tax expense / (benefit) reported in the income statement	**666**	**(1,178)**	**1,471**	**(866)**

(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	CONSOLIDATED 2010	CONSOLIDATED 2009	PARENT 2010	PARENT 2009
Profit / (loss) before income tax expense	25,659	(104,168)	12,602	28,116
Prima facie income tax expense / (benefit) calculated at 30%	7,698	(31,250)	3,781	8,435
Less prima facie income tax/(benefit) on (profit)/loss from AT and AIT	(15,501)	29,999	(3,720)	(9,000)
Prima Facie income tax of entities subject to income tax	(7,803)	(1,251)	61	(565)
Entertainment	(11)	(11)	-	-
Share based payments	-	463	-	-
Foreign exchange translation adjustments	271	(55)	271	(55)
Impairment of management rights	919	-	-	-
Adjustment of prior year tax applied	2,409	(43)	(2,077)	(23)
Derecognition of deferred tax assets	3,605	-	3,164	-
Other items (net)	1,276	(281)	52	(223)
Income tax expense / (benefit)	**666**	**(1,178)**	**1,471**	**(866)**
Income tax expense/(benefit) reported in the consolidated income statement	**666**	**(1,178)**	**1,471**	**(866)**

The Group has income tax losses for which no deferred tax asset is recognised on the balance sheet of gross $3.59 million (2009: Nil), which are available indefinitely for offset against future income gains subject to continuing to meet relevant statutory tests.

8. INCOME TAX (CONTINUED)

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(c) Recognised deferred tax assets and liabilities				
Deferred income tax at 30 June 2010 relates to the following:				
Deferred tax liabilities				
Revaluation of investment properties to fair value	-	45	-	-
Revaluation of investments to fair value	-	1,767	-	-
Other	2,557	661	735	198
Gross deferred income tax liabilities	2,557	2,473	735	198
Set off of deferred tax assets	(2,273)	(2,118)	(735)	(198)
Net deferred income tax liabilities	**284**	**355**	**-**	**-**
Deferred tax assets				
Revaluation of investment properties to fair value	-	1,165	-	1,165
Revaluation of investments to fair value	-	1,278	-	807
Revaluation of financial instruments to fair value	3,922	958	37	97
Provisions	3,921	7,984	2,301	1,401
Losses available for offset against future taxable income	6,761	1,008	4,763	940
Employee provisions	589	386	-	-
Other	266	668	28	71
Gross deferred income tax assets	**15,459**	**13,447**	**7,129**	**4,481**
Set off of deferred tax assets	(2,273)	(2,118)	(735)	(198)
Net deferred income tax assets	**13,186**	**11,329**	**6,394**	**4,283**

Unrecognised temporary differences

At 30 June 2010, the Group has unrecognised deferred tax assets on capital account in relation to the fair value of investments in listed and unlisted securities ($10.2 million gross), fair value of investment properties ($3.9 million gross) and fair value of investment in options ($3.0 million gross) (2009: $nil).

Tax consolidation

AGHL and its 100% owned Australian resident subsidiaries have formed a tax consolidated group. AGHL is the head entity of the tax consolidated group. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further on the following page.

8. INCOME TAX (CONTINUED)

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount allocated under the tax funding agreement and the allocation under UIG 1052, the head entity accounts for these as equity transactions.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

9. DISTRIBUTIONS PAID AND PROPOSED

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(a) Distributions paid during the year				
June 2009 quarter: 0.75 cents per stapled security (2008: 3.50 cents)	11,209	22,637	-	-
September 2009 quarter: Nil (2008: 3.50 cents)	-	22,677	-	-
December 2009 half: 1.50 cents per stapled security (2008: 1.75 cents)	22,842	11,387	-	-
March 2010 quarter: Nil (2009: 1.75 cents)	-	13,190	-	-
	34,051	69,891	-	-
(b) Distributions proposed and not recognised as a liability*				
June 2010 half: 1.65 cents per stapled security (2009: 0.75 cents)	29,924	11,209	-	-

Distributions were paid from Abacus Trust and Abacus Income Trust (which do not pay tax provided they distribute all their taxable income) hence, there were no franking credits attached.

*The final distribution of 1.65 cents per stapled security was declared on 1 July 2010. The distribution was paid on 11 August 2010 for $29.9 million. No provision for the distribution has been recognised in the balance sheet at 30 June 2010 as the distribution had not been declared by the end of the year.

(c) Franking credit balance				
The amount of franking credits available for the subsequent financial year are:				
Franking account balance as at the beginning of the financial year at 30% (2009: 30%)	10,303	11,252	10,303	11,252
Prior year tax adjustment	-	(949)	-	(949)
	10,303	**10,303**	**10,303**	**10,303**

notes to the financial statements

30 June 2010

10. EARNINGS PER STAPLED SECURITY

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Basic and diluted earnings / (loss) per stapled security (cents)	1.53	(11.81)	0.76	3.34
Reconciliation of earnings used in calculating earnings per stapled security				
Basic and diluted earnings per stapled security				
Net profit / (loss)	**25,436**	**(102,412)**	**12,602**	**28,982**

	'000	'000	'000	'000
Weighted average number of stapled securities:				
Weighted average number of stapled securities for basic and diluted earning per share	1,662,482	867,488	1,662,482	867,488

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11. CASH AND CASH EQUIVALENTS

	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2010 $'000	PARENT 2009 $'000
Reconciliation to Cash Flow Statement				
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June 2010:				
Cash at bank and in hand [(i)]	**21,792**	**9,124**	**996**	**275**

[(i)] cash at bank earns interest at floating rates. The carrying amounts of cash and cash equivalents represent fair value.

	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2010 $'000	PARENT 2009 $'000
(a) Reconciliation of net profit after tax to net cash flows from operations				
Net profit / (loss)	24,993	(102,990)	12,602	28,982
Adjustments for:				
Depreciation of non-current assets	589	778	-	-
Amortisation of non-current assets	1,074	2,915	-	-
Impairment of licences	3,064	-	-	-
Provision for doubtful debts	285	5,074	-	-
Forgiveness of loan as part of the restructuring of ADIFII	4,900	11,000	-	-
Income distribution	-	-	(11,990)	(30,000)
Net change in fair value of derivatives	6,247	51,420	826	3,447
Net change in fair value of investment properties held at balance date	18,775	107,518	-	2,954
Net change in fair value of investments held at balance date	7,100	5,908	883	5,851
Net change in fair value of investment properties derecognised	(2,116)	(1,784)	-	-
Net change in fair value of financial instruments derecognised	(5,174)	(9,110)	(1,549)	(4,824)
Increase/(decrease) in payables	14,216	(13,668)	226	2,188
Decrease/(increase) in receivables and other assets	(9,348)	8,527	(521)	(3,620)
Net cash from operating activities	**64,605**	**65,588**	**477**	**4,978**
(b) Non-cash financing and investing activities				
Disposal of subsidiary by providing a mortgage loan facility	-	8,245	-	-

Disclosure of financing facilities

Refer to note 20d.

Disclosure of non-cash financing activities

Non-cash financing activities include capital raised pursuant to APG's distribution reinvestment plan. During the year 37.7 million stapled securities were issued with a cash equivalent of $14.3 million.

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30 June 2010

12. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Trade debtors	2,458	9,556	692	742
Related party receivables	309	5,597	472	5,504
Other debtors	7,075	7,124	178	643
Gross receivables	9,842	22,277	1,342	6,889
Less provision for doubtful debts	(1,000)	(184)	-	-
Total net receivables	**8,842**	**22,093**	**1,342**	**6,889**

13. PROPERTY LOANS AND OTHER FINANCIAL ASSETS

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(a) Current property loans				
Secured loans - amortised cost (i)	60,633	51,221	-	-
Loans to related parties - amortised cost	-	-	9,902	10,851
Interim funding to related funds - amortised cost (ii)	22,753	51,634	-	-
Interest receivable on secured loans - amortised cost	3,925	9,273	-	-
Interest receivable on interim funding to related funds	900	845	-	-
Provision for doubtful debts (iv)	(1,200)	(13,016)	-	-
	87,011	**99,957**	**9,902**	**10,851**
(b) Current other financial assets				
Investments in securities - listed (fair value)	2,189	6,187	2,189	6,082
	2,189	**6,187**	**2,189**	**6,082**

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13. PROPERTY LOANS AND OTHER FINANCIAL ASSETS (CONTINUED)

	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2010 $'000	PARENT 2009 $'000
(c) Non-current property loans				
Secured loans - amortised cost (i)	147,402	148,539	-	-
Interim funding to related funds - amortised cost (ii) (iii)	157,631	155,999	33,617	31,267
Interest receivable on secured loans - amortised cost	15,015	5,682	-	-
Interest receivable on interim funding to related funds	6,151	4,122	634	216
Provision for doubtful debts	(1,000)	-	-	-
Provision for impairment on loan in relation to restructuring of ADIFII (iv)	-	(11,000)	-	-
	325,199	303,342	34,251	31,483
(d) Non-current other financial assets				
Investments in securities - unlisted (fair value)	11,666	15,804	12,291	13,020
Investments in subsidiaries - at cost	-	-	117,056	81,288
Investments in joint ventures - at cost	-	-	14,172	19,370
Other financial assets (fair value) (v)	35,391	18,250	-	-
	47,057	34,054	143,519	113,678

(i) Mortgages are secured by real property assets. The current facilities are scheduled to mature and are expected to be realised on or before 30 June 2011 and the non-current facilities will mature between 1 July 2011 and 18 December 2018. Weighted average interest rate was 9.93% pa as at 30 June 2010 (2009: 10.05%).

(ii) Interim funding is provided to other entities outside the Group managed by the responsible entity AFML to enable acquisition of properties ahead of receipt of funds from investors. The loans are unsecured and the rates of interest equal the rate of the respective fund's distribution. These loans rank equally with other unsecured liabilities and unitholders in the event of winding up.

(iii) The loan to Abacus Storage Fund has the same capital growth entitlements as investor equity up until it is repaid. Recoverability of the loan of $92.3m to ADIFII and the loan of $66.4m to the Abacus Hospitality Fund is predicated on the recovery of property valuations to original cost during the next six years.

(iv) The movement in the provision reflects the writing off of loans that had been fully provided for in previous periods.

(v) APG enters into loans and receivables with associated options that provide for a variety of outcomes including repayment of principal and interest, satisfaction through obtaining interests in equity or property or combinations thereof. At the end of the year, the fair value of the maximum exposure to credit risk in relation to these instruments was $35.4 million (2009: $18 million).

14. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2010 $'000	2009 $'000
Land and buildings		
At 1 July, net of accumulated depreciation	31,258	30,302
Additions	-	60
Disposals	(979)	-
Revaluations	(706)	1,048
Effect of movements in foreign exchange	(53)	179
Depreciation charge for the year	(310)	(331)
At 30 June, net of accumulated depreciation	**29,210**	**31,258**
Cost or fair value less costs to sell	29,210	31,258
Accumulated depreciation	-	-
Net carrying amount at end of period	**29,210**	**31,258**
Plant and equipment		
At 1 July, net of accumulated depreciation	1,018	1,538
Additions	182	149
Disposals	-	(193)
Depreciation charge for the year	(260)	(476)
At 30 June, net of accumulated depreciation	**940**	**1,018**
Cost or fair value	1,773	1,591
Accumulated depreciation	(833)	(573)
Net carrying amount at end of period	**940**	**1,018**
Total	**30,150**	**32,276**
Current property, plant and equipment (fair value less costs to sell)	20,901	-
Non-current property, plant and equipment (cost or fair value)	9,249	32,276
Total net carrying amount of property, plant and equipment	**30,150**	**32,276**
Property		
Hotel properties - Pubs[1]	7,374	6,965
Budget lodge / hostel accommodation	20,901	21,694
Office equipment / furniture and fittings	1,875	3,617
	30,150	**32,276**

[1] Value of licences are accounted for separately as intangibles (see note 18)

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Parent does not hold any property, plant and equipment.

The current property, plant and equipment represents six (6) properties which are either subject to a sales contract or an active sales campaign. All properties are expected to be sold by 30 June 2011.

Property, plant and equipment pledged as security for liabilities

Some of the freehold land and buildings are used as security for secured bank debt.

15. INVENTORIES

	CONSOLIDATED	
	2010 $'000	2009 $'000
(a) current		
Hotel supplies	107	105
Projects		
- purchase consideration	58,600	5,159
- other costs	1,469	-
	60,176	**5,264**
(b) non-current		
Projects		
- purchase consideration	20,941	-
- development costs	4,445	-
- other costs	5,505	-
	30,891	-
Total inventories	**91,067**	**5,264**

The Parent does not hold any inventory.

Inventories are held at the lower of cost and net realisable value.

Other costs as described in note 2(z).

16. INVESTMENT PROPERTIES

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Investment properties held for sale				
Retail	52,785	-	-	-
Commercial	-	26,391	-	-
Industrial	38,040	13,640	-	-
Other	502	4,258	-	-
Total investment properties held for sale	**91,327**	**44,289**	**-**	**-**

The investment properties held for sale represent nine (9) properties which are either subject to a sales contract or an active sales campaign. All properties are expected to be sold by 30 June 2011.

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Investment properties				
Retail	218,204	266,843	-	-
Commercial	262,220	283,450	-	-
Industrial	82,031	131,233	-	-
Storage	3,500	3,807	-	-
Other	51,780	23,217	6,400	6,450
Total investment properties	**617,735**	**708,550**	**6,400**	**6,450**
Total investment properties including held for sale	**709,062**	**752,839**	**6,400**	**6,450**

At 30 June 2010, 60% of the property portfolio was subject to external valuation, the remaining 40% was subject to internal valuation.

Reconciliation

A reconciliation of the carrying amount of investment properties at the beginning and end of the year is as follows:

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Carrying amount at beginning of the financial period	708,550	932,440	6,450	8,280
Additions and capital expenditure	37,488	49,462	236	1,124
Fair value adjustments for properties held at balance date	(18,775)	(107,517)	(286)	(2,954)
Transfers to inventory	(1,850)	-	-	-
Disposals	(60,595)	(121,764)	-	-
Effect of movements in foreign exchange	(45)	218	-	-
Properties transferred to held for sale	(47,038)	(44,289)	-	-
Carrying amount at end of the financial year	**617,735**	**708,550**	**6,400**	**6,450**

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16. INVESTMENT PROPERTIES (CONTINUED)

Investment properties are carried at the directors' determination of fair value and are based on independent valuations. 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, latest independent update or directors' valuation. 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 each investment property is conducted annually either in December or June of each year. The key underlying assumptions, on a portfolio basis, contained within the independent and director valuations above are as follows:

- A weighted average capitalisation rate for each category is as follows;
  - Retail – 8.03% (2009: 7.97%)
  - Commercial – 8.48% (2009: 8.62%)
  - Industrial – 9.31% (2009: 9.02%)
  - Other – 7.92% (2009: 7.98%)
- The current occupancy rate for the portfolio is 93.2% (2009: 90%) which is not expected to materially change during the period relevant to the valuations (based on a conservative 50% tenant retention rate):
- A weighted average rent review for the 12 months to 30 June 2011 of 3.9% (2010: 3.6%) (excludes market reviews and assumes CPI reviews of 3%).

The independent and director valuations are based on common valuation methodologies including capitalisation and discounted cash flow approaches, which have regard to recent market sales evidence. Accordingly, the directors' valuations at 30 June 2010 have regards to market sales evidence in adopting a market valuation for each property including the key assumptions outlined.

The majority of the investment properties are used as security for secured bank debt.

17. NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	NOTES	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000
Investment in associates	17(i)	23,715	23,687
Investment in joint ventures	17(ii)	103,995	103,782
		127,710	**127,469**

(a) Details of Associates and Joint Ventures

(i) Associates

	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST 2010 %	OWNERSHIP INTEREST 2009 %	CARRYING VALUE 2010 $'000	CARRYING VALUE 2009 $'000
Stanright Limited (1)	Property investment	40	40	3,275	5,108
Abacus Storage Fund (2)	Storage facility investment	16	15	16,494	14,584
Abacus Miller Street Trust (3)	Property investment	30	30	2,326	1,622
Abacus Wodonga Fund(2)	Property development	15	15	1,620	2,373
				23,715	**23,687**

(1) A subsidiary of Abacus Group Holdings Limited, the London Trust, has a 40% interest in Stanright Limited, a UK company which holds a 50% interest in Grant Thornton House in the UK. The reporting date for Stanright Limited is 31 March.

(2) The subsidiaries of Abacus Group Holdings Limited act as the Responsible Entities of these Funds.

(3) Abacus Trust has a 30% interest in the Abacus Miller Street Holdings Trust which owns 50 Miller Street in North Sydney.

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17. NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(ii) Joint Ventures [(4)]

		OWNERSHIP INTEREST		CARRYING VALUE	
	PRINCIPAL ACTIVITY	2010 %	2009 %	2010 $'000	2009 $'000
Abacus Aspley Village Trust	Property investment	33	33	19,068	19,332
Abacus Rosebery Property Trust	Property development	50	50	200	200
Fordtrans Pty Ltd (Virginia Park)	Property investment	50	50	62,409	59,041
Hampton Residential Retirement Trust	Property development	50	50	4,116	4,893
Jigsaw Trust	Childcare operator	50	50	9,013	7,263
Pakenham Valley Unit Trust	Property development	50	50	4,806	5,360
The Abacus Colemans Road Trust	Property development	50	50	1,986	1,483
The Bay Street Brighton Unit Trust [(5)]	Property development	-	50	-	3,173
The Main Street Pakenham Trust [(5)]	Property development	-	50	-	-
The Mount Druitt Unit Trust	Property investment	50	50	402	934
The Tulip Unit Trust	Property development	50	50	1,795	1,903
Willoughby Development Trust	Property development	50	50	200	200
				103,995	103,782

(4) The joint venture entities acquire and develop (generally to the subdivision stage) commercial and residential properties intended for resale.

(5) The remaining interest in these joint ventures were acquired during the year. The properties are now included in non-current inventories (note 15).

(6) There were no impairment losses or contingent liabilities relating to the investment in the associates and joint ventures other than the debt forgiveness on the working capital facility owed by ADIFII.

17. NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Share of associates and joint ventures' net profits

	CONSOLIDATED	
	2010 $'000	2009 $'000
Revenue	98,977	88,621
Expenses	(76,411)	(91,954)
Net profit / (loss)	**22,566**	**(3,333)**
Share of net profit	**6,463**	**8,801**

(c) Extract from associates and joint ventures' balance sheets

	2010 $'000	2009 $'000
Current assets	129,247	42,065
Non-current assets	760,615	829,662
	889,862	871,727
Current liabilities	(217,782)	(124,490)
Non-current liabilities	(299,572)	(394,064)
	(517,354)	(518,554)
Net assets	**372,508**	**353,173**
Share of net assets	**127,710**	**127,469**

18. INTANGIBLE ASSETS AND GOODWILL

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Goodwill				
Balance at 1 July	32,461	35,090	32,394	32,394
Acquisition through business combinations	-	67	-	-
Disposal	-	(2,696)	-	-
Balance at 30 June	**32,461**	**32,461**	**32,394**	**32,394**
Licences and entitlements				
At 1 July, net of accumulated amortisation	5,764	6,049	-	-
Acquisition	12	-	-	-
Disposal of licences	-	(285)	-	-
Impairment	(3,064)	-	-	-
At 30 June, net of accumulated amortisation	**2,712**	**5,764**	**-**	**-**
Total goodwill and intangibles	**35,173**	**38,225**	**32,394**	**32,394**

Description of the Group's intangible assets and goodwill

Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Licences and entitlements

Licences and entitlements represent intangible assets acquired through the acquisition of certain hotel assets. Licences and entitlements essentially relate to gaming and liquor licence rights attaching to the hotel assets. These intangible assets have been determined to have indefinite useful lives and the cost model is utilised for their measurement. These licences and entitlements have been granted for an indefinite period by the relevant government department. This supports the Group's assertion that these assets have an indefinite useful life. As these licences and entitlements are an integral part of owning a hotel asset, they are subjected to impairment testing on an annual basis or whenever there is an indication of impairment as part of the annual property valuation and review process of the hotels as a going concern.

Impairment losses recognised

An impairment loss of $3.1 million was recognised during the year in relation to the licences of two hotels under the property segment, namely the Mariners Lodge Hotel at Batemans Bay NSW and the Forest Lodge Hotel at Glebe NSW. The impairment loss has been recognised in the consolidated income statement in the line item "depreciation, amortisation and impairment expense". The loss was a result of write down as the carrying amount exceeded the value in use as determined by the external valuation performed as at 30 June 2010.

18. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Impairment tests for goodwill and intangibles with indefinite useful lives

(i) Description of the cash generating units and the other relevant information

Goodwill acquired through business combinations and management rights, licences and entitlements have been allocated to two individual cash generating units, each of which is a reportable segment, for impairment testing as follows:

- Funds Management - property / asset management business
- Property - or specifically the hotel assets

Funds Management

The recoverable amount of the Funds Management unit has been determined based on a value in use calculation using cash flow projections as at 30 June 2010 covering a five-year period.

A post tax discount rate of 9.6% (2009: 10.59%) and a terminal growth rate of 3% (2009: 3%) has been applied to the cash flow projections.

Property

The recoverable amount of the indefinite life intangible assets have been determined based on the independent and directors' valuations of the hotels on a going concern basis. Common valuation methodologies including capitalisation and discounted cash flow approaches are used, with assumptions reference to recent market sales evidence. Accordingly, the directors' valuations at 30 June 2010 have regards to market sales evidence in adopting a market valuation for each property including the key assumptions outlined.

(ii) Carrying amounts of goodwill, management rights, licences and entitlements allocated to each of the cash generating units

The carrying amounts of goodwill, management rights, licences and entitlements are allocated to Funds Management and Property as follows:

	FUNDS MANAGEMENT		PROPERTY		TOTAL		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Goodwill	32,394	32,394	67	67	32,461	32,461	32,394	32,394
Management rights, licences and entitlements	-	-	2,712	5,764	2,712	5,764	-	-

(iii) Key assumptions used in valuation calculations

Funds Management Goodwill

The calculation of value in use is most sensitive to the following assumptions:

a. Fee income
b. Discount rates
c. Property values of the funds/properties under management

Fee income – fee income is based on actual income in the year preceding the start of the budget period and actual funds under management.

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18. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(iii) Key assumptions used in valuation calculations (continued)

Discount rates – discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not reflected in the cash flows.

Property values – property values are based on the fair value of properties which are valued annually by independent valuers.

Hotel Intangible Assets

The calculation of the hotel valuations is most sensitive to the following assumptions:

a. Hotel income
b. Discount rates and capitalisation rates with reference to market sales evidence
c. Other value adding or potential attributes of the hotel asset

Hotel income – hotel income is based on actual income in the year preceding the start of the budget period, adjusted based on industry norms for valuation purposes.

Discount rates and capitalisation rates – these rates reflect the independent valuers' and management's estimate of the time value of money and the risks specific to each unit that are not reflected in the cash flows, with reference to recent market sales evidence. The weighted average capitalisation rate used for the two hotel valuations at June 2010 was 11.65% (2009: 9.42%).

Other value adding or potential attributes – unique features of individual hotel assets that will add or have the potential to add value to the property in determining the total fair value of the hotel.

(iv) Sensitivity to changes in assumptions

Significant and prolonged property value falls and market influences which could increase discount rates could cause goodwill to be impaired in the future, however, the goodwill valuation as at 30 June 2010 has significant head room thus changes in the assumptions such as discount rate and revenue assumptions would not cause any significant impairment.

Intangibles have been impaired on the basis that they now represent recoverable amount. A decrease in hotel income or increase in discount rate have already been taken into consideration in the sensitivity of market factors as part of the external valuation.

19. TRADE AND OTHER PAYABLES

	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2010 $'000	PARENT 2009 $'000
(a) Current				
Trade creditors	1,612	626	207	205
Other creditors	3,405	3,279	125	52
Rental guarantee	1,313	2,314	-	-
Goods and services tax	1,181	1,893	(30)	(27)
Accrued expenses	5,490	5,160	93	236
	13,001	**13,272**	**395**	**466**
(b) Non-current				
Rental guarantee	4,065	6,676	-	-
	4,065	**6,676**	**-**	**-**

20. INTEREST BEARING LOANS AND BORROWINGS

	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2010 $'000	PARENT 2009 $'000
(a) Current				
Bank loans - A$	232,157	62,000	2,297	601
Other loans - A$	9,916	-	-	-
Loan from related parties	141	510	-	-
Less: Unamortised borrowing costs	(1,508)	(681)	-	-
	240,706	**61,829**	**2,297**	**601**
(b) Non-current				
Bank loans - A$	109,734	330,219	-	2,637
Loan from related parties	1,299	-	1,299	-
Less: Unamortised borrowing costs	(598)	(664)	-	-
	110,435	**329,555**	**1,299**	**2,637**
(c) Maturity profile of current and non-current interest bearing loans				
Due within one year	242,214	62,510	2,297	601
Due between one and five years	105,048	324,234	1,299	2,637
Due after five years	5,985	5,985	-	-
	353,247	**392,729**	**3,596**	**3,238**

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20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

The Group maintains a range of interest-bearing loans and borrowings. The sources of funding are spread over a number of counterparties and the terms of the instruments are negotiated to achieve a balance between capital availability and cost of debt.

Bank loans – A$ are provided by several banks at interest rates that include both fixed and floating arrangements. The loans are denominated in Australian dollars and the term to maturity varies from February 2011 to November 2016. The effective fixed interest rate of borrowings which are covered by fixed rate swaps (including bank margins and fees on both drawn and undrawn amounts) was 8.79% at year end (2009 8.06%), while interest on floating rate borrowings are paid quarterly based on existing swap and yield rates quoted on the rate reset date.

The bank loans are secured by a charge over the investment properties, certain inventory and certain property, plant and equipment as detailed in note 14 to note 16. Approximately 51.2% (2009: 76.3%) of available bank debt facilities were subject to fixed rate arrangements with a weighted average term to maturity of 6.00 years (2009: 4.69 years). APG's weighted average interest rate as at 30 June 2010 was 8.00% (2009: 7.31%).

20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(d) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Total facilities - bank loans	625,892	612,442	4,200	5,335
Facilities used at reporting date - bank loans	(341,891)	(392,219)	(2,297)	(3,238)
Facilities unused at reporting date - bank loans	**284,001**	**220,223**	**1,903**	**2,097**

These facilities comprise fixed and floating rate secured facilities.

The Group's debt facilities are secured first mortgage facilities – they are collateralised by the Group's real estate assets. Full utilisation of available facilities would require additional real estate assets to collateralise draw downs. Facility readily available at reporting date based upon (a) existing secured property assets and (b) a targeted Group Gearing ratio (Total Debt – Cash / Total Assets – Cash) of between 30% to 35% is $132.7 million. Cash on hand at reporting date is $21.8 million.

During the year, the Group has extended the contractual maturity date of the Working Capital Facility, which is part of the Club Facility, from May 2010 to February 2011 (the same date as the Core facility) and the contractual maturity date of the Abacus Independent Retail Property Trust Facility from December 2010 to June 2015. The Club Facility is a secured, limited recourse debt agreement with ANZ (as lead arranger), CBA and St George Bank. Under the agreement certain properties owned by AT, AIT, AGPL and AGHL form a common security pool, which is collateral for this loan facility.

Also as part of the extension of the Working Capital Facility, the Group has transferred out $70m of the Working Capital Facility to establish a new three year facility maturing in December 2012. This facility is secured against amounts which are not part of the club collateral pool which enables the Group to access additional liquidity including for future acquisition opportunities.

Please also refer to Note 24 Capital Management for more information on key banking covenants of the refinanced and renewed facilities.

21. DERIVATIVES

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Interest rate swaps	26,320	37,035	125	313
Financial instruments (ADIFII guarantee)*	4,000	3,000	4,000	3,000
	30,320	**40,035**	**4,125**	**3,313**

*refer to Note 28 for details of the guarantees provided to ADIFII

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22. FINANCIAL INSTRUMENTS

(i) Credit Risk

Credit Risk Exposures

The Group's maximum exposure to credit risk at the reporting date was:

	CARRYING AMOUNT			
	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Receivables	8,842	22,093	1,341	6,889
Secured property loans	225,775	219,949	-	-
Interim funding to related funds	186,435	201,600	44,153	42,334
Other financial assets (fair value)	35,392	18,250	-	-
Cash and cash equivalents	21,792	9,124	996	275
	478,236	471,016	46,490	49,498

As at 30 June 2010, the Group had the following concentrations of credit risk:

- Secured property loans: 76% of secured property loans is represented by 5 borrowers (2009: 69% of secured property loans was represented by 5 borrowers);
- Interim Funding to Related Funds: represented by the Abacus Diversified Income Fund II (working capital facility and secured note facility) $96.9 million, and the Abacus Hospitality Fund $66.6 million (2009: Abacus Diversified Income Fund II $82.7 million, Abacus Hospitality Fund $70.6 million); and
- Other financial assets (fair value) is represented by 2 issuers (2009: 1 issuer).

22. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Credit Risk (continued)

Secured property loans and interim funding

The following table illustrates grouping of the Group's investment in secured loans and interim funding. As noted in disclosure note 3, the Group mitigates the exposure to this risk by evaluation of the credit submission before acceptance, ensuring security is obtained and consistent and timely monitoring of the financial instrument to identify any potential adverse changes in the credit quality:

	TOTAL	ORIGINAL TERM (1)	EXTENDED TERM	PAST DUE TERM (2)	IMPAIRED (3)
30 JUNE 2010	$'000	$'000	$'000	$'000	$'000
Consolidated	414,410	398,398	2,718	10,141	3,153
less: provisioning	(2,200)	(1,000)	-	-	(1,200)
Total Consolidated	**412,210**	**397,398**	**2,718**	**10,141**	**1,953**
Parent	44,153	44,153	-	-	-
less: provisioning	-	-	-	-	-
Total Parent	**44,153**	**44,153**	**-**	**-**	**-**

(1) Terms are extended typically in recognition of traditional project delays (e.g. weather, development approvals).
(2) For loans with past due terms all are less than two years old.
(3) In considering the impairment of loans, the Group will undertake a market analysis of the secured property development which is used to service the loan and identify if a deficiency of security exists and the extent of that deficiency, if any. If there is an indicator of impairment, fair value calculations of expected future cashflows are determined and if there are any differences to the carrying value of the loan, an impairment is recognised.

	TOTAL	ORIGINAL TERM	EXTENDED TERM	PAST DUE TERM (1)	IMPAIRED
30 JUNE 2009	$'000	$'000	$'000	$'000	$'000
Consolidated	467,658	422,905	-	28,806	15,947
less: provisioning	(24,016)	(12,200)	-	(441)	(11,375)
Total Consolidated	**443,642**	**410,705**	**-**	**28,365**	**4,572**
Parent	49,223	49,223	-	-	-
less: provisioning	-	-	-	-	-
Total Parent	**49,223**	**49,223**	**-**	**-**	**-**

(1) For loans with past due terms all are less than two years old and are expected to be recovered.

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22. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Credit Risk (continued)

Investment in secured property loans are interest bearing on average 2.5 year terms. A provision for impairment loss is typically recognised when there is objective evidence that the loan has not been repaid by the due date and management has determined that the full amount of the loan may not be recoverable. An impairment loss of $1.0 million for interim funding to related funds and a $4.9 million debt forgiveness of the ADIFII loan as part of the restructuring (2009: $5.1 million for secured property loans and $11.0 million impairment for ADIFII) has been recognised by the Group in the current year.

The movement in the allowance for impairment in respect of secured property loans and receivables during the year was as follows:

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Balance at 1 July 2009	24,016	8,511	-	-
Impairment loss recognised (secured property loans)	-	5,099	-	-
Impairment loss recognised (interim funding)	1,000	-	-	-
Impairment loss recognised (ADIFII)	4,900	11,000	-	-
Impairment loss utilised / written back	(27,716)	(594)	-	-
Balance at 30 June 2010	**2,200**	**24,016**	**-**	**-**

22. FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Liquidity Risk

The table below shows an analysis of the contractual maturities of key liabilities which forms part of the Group's assessment of liquidity risk.

CONSOLIDATED 30 JUNE 2010	CARRYING AMOUNT $'000	CONTRACTUAL CASH FLOWS $'000	1 YEAR OR LESS $'000	OVER 1 YEAR TO 5 YEARS $'000	OVER 5 YEARS $'000
Liabilities					
Trade and other payables	17,066	17,066	13,001	4,065	-
Interest bearing loans and borrowings incl derivatives#	383,567	427,734	262,258	140,400	25,076
Total liabilities	**400,633**	**444,800**	**275,259**	**144,465**	**25,076**

PARENT 30 JUNE 2010	CARRYING AMOUNT $'000	CONTRACTUAL CASH FLOWS $'000	1 YEAR OR LESS $'000	OVER 1 YEAR TO 5 YEARS $'000	OVER 5 YEARS $'000
Liabilities					
Trade and other payables	395	395	395	-	-
Interest bearing loans and borrowings incl derivatives^	7,721	9,153	5,153	4,000	-
Total liabilities	**8,116**	**9,548**	**5,548**	**4,000**	**-**

CONSOLIDATED 30 JUNE 2009	CARRYING AMOUNT $'000	CONTRACTUAL CASH FLOWS $'000	1 YEAR OR LESS $'000	OVER 1 YEAR TO 5 YEARS $'000	OVER 5 YEARS $'000
Liabilities					
Trade and other payables	19,948	19,948	13,272	6,676	-
Interest bearing loans and borrowings incl derivatives	429,764	587,366	175,126	402,240	10,510
Total liabilities	**449,712**	**607,314**	**188,398**	**408,916**	**10,510**

PARENT 30 JUNE 2009	CARRYING AMOUNT $'000	CONTRACTUAL CASH FLOWS $'000	1 YEAR OR LESS $'000	OVER 1 YEAR TO 5 YEARS $'000	OVER 5 YEARS $'000
Liabilities					
Trade and other payables	466	466	466	-	-
Interest bearing loans and borrowings incl derivatives	3,551	5,697	1,694	4,004	-
Total liabilities	**4,017**	**6,163**	**2,160**	**4,004**	**-**

Includes derivative of a principal value of $30.3 million.
^ Includes derivative of a principal value of $4.1 million.

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22. FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Currency Risk

There is no significant currency risk related to investments in $NZD and $SGD. The following table shows the currency risk associated to the Group's investment in options denominated in £GBP.

CONSOLIDATED	AUD 2010 $'000	AUD 2009 $'000	GBP 2010 $'000	GBP 2009 $'000
Assets				
Other financial assets	15,391	18,250	8,721	8,891
Investment in securities	10,491	13,995	5,944	6,818
Total assets	**25,882**	**32,245**	**14,665**	**15,709**

The following sensitivity is based on the foreign risk exposures in existence at the balance sheet date.

At 30 June 2010, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
CONSOLIDATED	2010 $'000	2009 $'000	2010 $'000	2009 $'000
AUD/GBP + 10%	(2,353)	(2,931)	-	-
AUD/GBP - 10%	2,876	3,583	-	-

22. FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rates for each class of financial asset and financial liability are:

CONSOLIDATED	FLOATING INTEREST RATE	FIXED INTEREST MATURING IN 1 YEAR OR LESS	FIXED INTEREST MATURING IN 1 TO 5 YEARS	FIXED INTEREST MATURING IN OVER 5 YEARS	NON INTEREST BEARING	TOTAL
30 JUNE 2010	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash and cash equivalents	21,792	-	-	-	-	21,792
Receivables	-	-	-	-	8,842	8,842
Secured and related party loans	-	38,858	108,273	264,127	3,153	414,411
Total financial assets	**21,792**	**38,858**	**108,273**	**264,127**	**11,995**	**445,045**
weighted average interest rate	4.35%	12.98%	12.65%	8.36%		
Financial liabilities						
Interest bearing liabilities - bank	166,991	174,900	-	-	-	341,891
Interest bearing liabilities - other	9,916	-	-	-	-	9,916
Related party loans	-	-	-	-	1,440	1,440
Derivatives	-	-	-	-	30,320	30,320
Payables	-	-	-	-	17,066	17,066
Total financial liabilities	**176,907**	**174,900**	**-**	**-**	**48,826**	**400,633**
Weighted average interest rate*	7.25%	8.79%				

PARENT	FLOATING INTEREST RATE	FIXED INTEREST MATURING IN 1 YEAR OR LESS	FIXED INTEREST MATURING IN 1 TO 5 YEARS	FIXED INTEREST MATURING IN OVER 5 YEARS	NON INTEREST BEARING	TOTAL
30 JUNE 2010	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash and cash equivalents	996	-	-	-	-	996
Receivables	-	-	-	-	1,341	1,341
Secured and related party loans	17,332	9,902	-	13,079	3,840	44,153
Total financial assets	**18,328**	**9,902**	**-**	**13,079**	**5,181**	**46,490**
weighted average interest rate	4.14%	15.00%		15.00%		
Financial liabilities						
Interest bearing liabilities - bank	1,122	1,175	-	-	-	2,297
Derivatives	-	-	-	-	4,125	4,125
Payables	-	-	-	-	395	395
Total financial liabilities	**1,122**	**1,175**	**-**	**-**	**4,520**	**6,817**
Weighted average interest rate*	7.22%	8.79%				

* Rate calculated at 30 June.

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22. FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Interest rate risk (continued)

CONSOLIDATED 30 JUNE 2009	FLOATING INTEREST RATE $'000	FIXED INTEREST MATURING IN 1 YEAR OR LESS $'000	FIXED INTEREST MATURING IN 1 TO 5 YEARS $'000	FIXED INTEREST MATURING IN OVER 5 YEARS $'000	NON INTEREST BEARING $'000	TOTAL $'000
Financial Assets						
Cash and cash equivalents	9,124	-	-	-	-	9,124
Receivables	-	-	-	-	22,093	22,093
Secured and related party loans	-	78,026	199,344	131,476	12,703	421,549
Total financial assets	**9,124**	**78,026**	**199,344**	**131,476**	**34,796**	**452,766**
weighted average interest rate	2.93%	10.75%	10.84%	8.44%		
Financial liabilities						
Interest bearing liabilities - bank						
Interest bearing liabilities - other	110,430	49,104	232,686	-	-	392,220
Related party loans	-	-	-	-	510	510
Derivatives	-	-	-	-	37,035	37,035
Payables	-	-	-	-	22,948	22,948
Total financial liabilities	**110,430**	**49,104**	**232,686**	**-**	**60,493**	**452,713**
Weighted average interest rate*	4.71%	8.15%	8.11%			

PARENT 30 JUNE 2009	FLOATING INTEREST RATE $'000	FIXED INTEREST MATURING IN 1 YEAR OR LESS $'000	FIXED INTEREST MATURING IN 1 TO 5 YEARS $'000	FIXED INTEREST MATURING IN OVER 5 YEARS $'000	NON INTEREST BEARING $'000	TOTAL $'000
Financial Assets						
Cash and cash equivalents	275	-	-	-	-	275
Receivables	-	-	-	-	6,889	6,889
Secured and related party loans	27,643	-	10,851	-	3,840	42,334
Total financial assets	**27,918**	**-**	10,851	**-**	**10,729**	**49,498**
weighted average interest rate	3.21%		15.00%			
Financial liabilities						
Interest bearing liabilities - bank	673	476	2,089	-	-	3,238
Derivatives	-	-	-	-	313	313
Payables	-	-	-	-	3,466	3,466
Total financial liabilities	**673**	**476**	2,089	**-**	**3,779**	**7,017**
Weighted average interest rate*	4.99%	8.15%	8.15%			

* Rate calculated at 30 June.

22. FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Interest rate risk (continued)

Summarised interest rate sensitivity analysis

The table below illustrates the potential impact a change in interest rate by +/- 1% would have had on the Group's profit and equity on a pre-tax basis:

	AUD				
	CARRYING AMOUNT	-1%		+1%	
CONSOLIDATED	FLOATING	PROFIT	EQUITY	PROFIT	EQUITY
30 JUNE 2010	$'000	$'000	$'000	$'000	$'000
Financial assets	21,792	(218)	-	218	-
Financial liabilities	203,227	(12,972)	-	10,385	-

	AUD				
	CARRYING AMOUNT	-1%		+1%	
PARENT	FLOATING	PROFIT	EQUITY	PROFIT	EQUITY
30 JUNE 2010	$'000	$'000	$'000	$'000	$'000
Financial assets	18,328	(183)	-	183	-
Financial liabilities	1,122	(111)	-	87	-

	AUD				
	CARRYING AMOUNT	-1%		+1%	
CONSOLIDATED	FLOATING	PROFIT	EQUITY	PROFIT	EQUITY
30 JUNE 2009	$'000	$'000	$'000	$'000	$'000
Financial assets	9,124	(91)	-	91	-
Financial liabilities	147,465	(10,011)	-	(8,510)	-

	AUD				
	CARRYING AMOUNT	-1%		+1%	
PARENT	FLOATING	PROFIT	EQUITY	PROFIT	EQUITY
30 JUNE 2009	$'000	$'000	$'000	$'000	$'000
Financial assets	27,918	(279)	-	279	-
Financial liabilities	986	(101)	-	86	-

The analysis for the interest rate sensitivity of financial liabilities includes derivatives.

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22. FINANCIAL INSTRUMENTS (CONTINUED)

(v) Price Risk

The Group is exposed to equity securities risk. Equity securities price risk arises from investments in listed and unlisted securities. The key risk variable is the quoted price of the securities, which is influenced by a range of factors, most of which are outside the control of the Group. As a result, the Group does not use financial instruments to manage the price risk exposure on property securities but instead regularly monitors levels of exposure and conducts sensitivity analysis for fluctuations in the quoted securities prices.

A fluctuation of 15% in the price of the equity securities would impact the net profit after income tax expense of the Group, with all other variables held constant, by an increase/(decrease) of $1.82 million (2009: $3.7 million).

(vi) Fair values

The fair value of the Group's financial assets and liabilities are approximately equal to that of their carrying values.

As at 30 June 2010, the Group has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires the classification of fair value measurements into the following hierarchy:

(a)	Level 1	Quoted prices (unadjusted) in active market for identical assets or liabilities;
(b)	Level 2	Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
(c)	Level 3	Inputs for the asset or liability that are not based on observable market data.

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22. FINANCIAL INSTRUMENTS (CONTINUED)

(vi) Fair values (continued)

The following table presents the Group's assets and liabilities measured and recognised as at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new amendments.

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
CONSOLIDATED	2010 $'000	2010 $'000	2010 $'000	2010 $'000
Current				
Investment in securities - listed	2,189	-	-	2,189
Total current	**2,189**	**-**	**-**	**2,189**
Non-current				
Investment in securities - unlisted	-	-	11,666	11,666
Investment in options	-	-	35,392	35,392
Derivative liabilities	-	(26,320)	(4,000)	(30,320)
Total non-current	**-**	**(26,320)**	**43,058**	**16,738**
PARENT				
Current				
Investment in securities - listed	2,189	-	-	2,189
Total current	**2,189**	**-**	**-**	**2,189**
Non-current				
Investment in securities - unlisted	-	-	12,291	12,291
Derivative assets and liabilities	-	125	(4,000)	(3,875)
Total non-current	**-**	**125**	**8,291**	**8,416**

There were no transfers between Levels 1, 2 and 3 during the year.

22. FINANCIAL INSTRUMENTS (CONTINUED)

(vi) Fair values (continued)

The following table is a reconciliation of the movements in unlisted securities, options and derivatives classified as level 3 for the year ended 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

CONSOLIDATED	UNLISTED SECURITIES $'000	OPTIONS $'000	ADIFII DERIVATIVE $'000	TOTAL $'000
opening balance as at 30 June 2009	15,813	18,391	(3,000)	31,204
fair value movement through the income statement	(4,083)	(3,000)	(1,000)	(8,083)
purchases	11	20,000	-	20,011
redemptions	(75)	-	-	(75)
closing balance as at 30 June 2010	**11,666**	**35,391**	**(4,000)**	**43,057**

PARENT	UNLISTED SECURITIES $'000	ADIFII DERIVATIVE $'000	TOTAL $'000
opening balance as at 30 June 2009	13,020	(3,000)	10,020
fair value movement through the income statement	(731)	(1,000)	(1,731)
purchases	77	-	77
redemptions	(75)	-	(75)
closing balance as at 30 June 2010	**12,291**	**(4,000)**	**8,291**

Determination of fair value

The fair value of listed securities is determined by reference to the quoted bid price of the entity at balance date. The fair value of unlisted securities is determined by reference to the net assets of the underlying entities.

The fair value of derivative financial instruments is determined in accordance with generally accepted pricing models by discounting the expected future cash flows at prevailing market interest rates. In determining the fair value of the ADIFII derivative the growth in net operating income, property valuations and the expected rate of conversion from "A Class" to "B Class" units has also been taken into account.

The fair value of interest rate swaps is determined using a generally accepted pricing model on a discounted cash flow analysis using assumptions supported by observable market rates.

The fair value of the options is determined using generally accepted pricing models including Black-Scholes and adjusted for specific features of the options including share price, underlying net assets and property valuations and prevailing exchange rates.

Sensitivity of Level 3

Sensitivities to reasonably possible changes in non-market observable valuation assumptions would not have a material impact on the Group's reported results.

23. CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(a) Issued stapled securities				
Stapled securities	1,110,517	1,009,577	53,009	47,064
- securities financed by APG under the ESLP	-	(22,080)	-	-
Total contributed equity	**1,110,517**	**987,497**	**53,009**	**47,064**

	CONSOLIDATED STAPLED SECURITIES		PARENT STAPLED SECURITIES	
	NUMBER '000	VALUE $'000	NUMBER '000	VALUE $'000
(b) Movement in stapled securities on issue				
At 1 July 2009	1,509,622	987,497	1,509,622	47,064
- treasury units	-	4,720	-	-
- equity raising	266,192	106,265	266,192	5,240
- distribution reinvestment plan	37,738	14,272	37,738	705
- less transaction costs	-	(2,237)	-	-
Securities on issue at 30 June 2010	**1,813,552**	**1,110,517**	**1,813,552**	**53,009**

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24. CAPITAL MANAGEMENT

The Group seeks to manage its capital requirements through a mix of debt and equity funding. It also ensures that Group entities comply with capital and distribution requirements of their constitutions and/or trust deeds, the capital requirements of relevant regulatory authorities and continue to operate as going concerns. The Group also protects its equity in assets by taking out insurance.

The Group assesses the adequacy of its capital requirements, cost of capital and gearing (i.e. debt/equity mix) as part of its broader strategic plan. In addition to tracking actual against budgeted performance, the Group reviews its capital structure to ensure sufficient funds and financing facilities, on a cost effective basis are available to implement the Group's strategy that adequate financing facilities are maintained and distributions to members are made within the stated distribution guidance (i.e. paid out of normalised profits).

The Group actively manages its capital via the following strategies: issuing new stapled securities, activating its distribution reinvestment plan (presently active at 2.5% discount to VWAP but not underwritten), electing to have the dividend reinvestment plan underwritten, adjusting the amount of distributions paid to members, activating a security buyback program, divesting assets, active management of the Group's fixed rate swaps, directly purchasing assets in managed funds or (where practical) recalibrating the timing of transactions and capital expenditure so as to avoid a concentration of net cash outflows.

On 26 August 2010 the Group re-financed its $480m CLUB facilities with a new 3 year $400 million syndicated bank debt facility (which replaced Abacus' existing $400 million core facility maturing in February 2011) and a renewed 3 year $80 million working capital bank debt facility with ANZ (which also had a February 2011 maturity).

A summary of the Group's key banking covenants both at year end and post year end are set out below:

COVENANT / RATIO	COVENANT REQUIREMENT– AS AT 30 JUNE 2010	COVENANT REQUIREMENT– POST REFINANCING	KEY DETAILS
Nature of facilities	Secured, non recourse [1]	Secured, non recourse [1]	The Group has no unsecured facilities
ICR	1.5	1.5	Net rental income / Interest expense (including fixed rate swaps)
Group ICR	2.0	2.0	Group EBITDA (ex fair value P&L) / Total Interest Expense (including fixed rate swaps)
Total Gearing	45%	50%	Total Liabilities (net of cash) / Total Tangible Assets (net of cash)
LVR	50% to 65% [2]	50% to 65% [2]	Drawn Loan / Bank accepted valuations
Gearing ratio on a look through basis	60%	60%	Total Gearing plus gearing from proportional consolidation of equity accounted investments

(1) There are no market cap covenants.
(2) The 65% LVR for the new Working Capital Facility is maintained but will step down to 62.5% from 1 July 2011 and to 60.0% from 1 July 2012.
(3) The weighted average maturity of the Group's bank facilities increased from 1.3 years to 3.1 years with the refinancing of the CLUB facilities. Total ....bank facilities remains unchanged at $625.9 million.

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25. RELATED PARTY DISCOSURES

(a) Subsidiaries

The consolidated financial statements include the financial statements of the following entities:

	EQUITY INTEREST		CARRYING VALUE	
ENTITY	2010 %	2009 %	2010 $'000	2009 $'000
Abacus Group Holdings Limited and its subsidiaries				
Abacus AAVT Pty Ltd	100	100	-	-
Abacus Airways NZ Trust	100	100	4,750	4,750
Abacus Bankstown Property Trust	100	100	-	-
Abacus CIH Pty Ltd	100	-	-	-
Abacus Dry Dock Lodge	100	100	-	-
Abacus Finance Pty Limited	100	100	-	-
Abacus Forrest Lodge Trust	100	100	-	-
Abacus Funds Management Limited	100	100	8,448	8,448
Abacus HP Operating Co Pty Ltd	100	100	-	-
Abacus HP Trust	100	100	-	-
Abacus Jigsaw Investments Pty Ltd	100	100	90	90
Abacus London Trust	100	100	-	-
Abacus Mariners Lodge Trust	100	100	-	-
Abacus Mortgage Fund	100	100	17,500	17,500
Abacus Mount Druitt Trust	100	100	908	908
Abacus Musswellbrook Pty Ltd	100	100	-	-
Abacus Nominee Services Pty Limited	100	100	-	-
Abacus Nominees (No 5) Pty Limited	100	100	-	-
Abacus Nominees (No 7) Pty Limited	100	100	-	-
Abacus Nominees (No 9) Pty Limited	100	100	-	-
Abacus Note Facilities Pty Ltd	100	100	-	-
Abacus Pitt Street Property Trust	100	100	21,320	41,796
Abacus Property Income Fund	100	100	37,725	37,725
Abacus Property Services Pty Ltd	100	100	10	10
Abacus SP Note Facility Pty Ltd	100	100	-	-
Abacus Storage Funds Management Limited	100	100	929	929
Abacus Unitel Pty Ltd	100	100	-	-
Abacus Unitel Trust	100	100	11,867	11,867
Abacus 343 George St Trust	100	-	30,000	-
Abacus (343 George St) Trust	100	-	30,000	-
Abacus (343 George St Sydney) Pty Ltd	100	-	-	-
Amiga Pty Limited	100	100	-	-
Childcare Trust 2	100	100	-	-
Main Street Pakenham Unit Trust	100	-	-	-
Bay Street Brighton Unit Trust	100	-	5,767	-
Clarendon Property Investments Pty Ltd	100	-	-	-
Corporate Helpers Pty Ltd	100	-	-	-

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25. RELATED PARTY DISCOSURES (CONTINUED)

(a) Subsidiaries (continued)

	EQUITY INTEREST		CARRYING VALUE	
	2010	2009	2010	2009
ENTITY	%	%	$'000	$'000
Abacus Group Projects Limited and its subsidiaries				
Abacus Property Pty Ltd	100	100	-	-
Abacus Allara Street Trust	50	50	500	500
Abacus Jigsaw Holdings Pty Limited	50	50	-	-
Abacus Northshore Trust 1	50	50	-	-
Abacus Northshore Trust 2	50	50	-	-
Abacus Repository Trust	50	50	-	-
Abacus Sanctuary Holdings Pty Limited	50	50	-	-
Abacus Ventures Trust	51	51	2,414	9,163
Abacus Trust and its subsidiaries				
Abacus 1769 Hume Highway Trust	100	100	13,803	14,803
Abacus Alderley Trust	100	100	17,731	19,587
Abacus Alexandria Trust	100	100	462	1,600
Abacus Ashfield Mall Property Trust	100	100	50,464	57,908
Abacus Campbell Property Trust	100	100	17,799	15,044
Abacus Epping Park Property Trust	100	100	22,401	29,547
Abacus Greenacre Trust	100	100	12,683	13,396
Abacus Hurstville Trust	100	100	12,493	14,314
Abacus Industrial Property Trust	100	100	10,024	8,902
Abacus Lisarow Trust	100	100	8,204	8,204
Abacus Liverpool Plaza Trust	100	100	33,116	34,249
Abacus Macquarie Street Trust	100	100	2,946	3,154
Abacus Moorabbin Trust	100	100	31,176	31,295
Abacus Moore Street Trust	100	100	1,469	1,319
Abacus National Boulevard Trust	-	100	-	16,091
Abacus North Sydney Car park Trust	100	100	2,229	1,463
Abacus Port Macquarie Trust	-	100	-	10,077
Abacus Premier Parking Trust	100	100	3,785	7,010
Abacus Shopping Centre Trust	100	100	-	-
Abacus Smeaton Grange Trust	100	100	5,916	5,803
Abacus SP Fund	100	100	28,192	-
Abacus St Johns Road Trust	100	100	-	4,316
Abacus Varsity Lakes Trust	100	100	14,107	15,021
Abacus Virginia Trust	100	100	58,365	58,365
Abacus Westpac House Trust	100	100	52,327	44,419

25. RELATED PARTY DISCOSURES (CONTINUED)

(a) Subsidiaries (continued)

	EQUITY INTEREST		CARRYING VALUE	
ENTITY	2010 %	2009 %	2010 $'000	2009 $'000
Abacus Income Trust and its subsidiaries				
Abacus Campbellfield Trust	100	100	7,615	8,816
Abacus Chermside Trust	100	100	-	-
Abacus Eagle Farm Trust	100	100	5,082	5,082
Abacus Independent Retail Property Trust	75	75	24,747	25,964
Abacus Lennons Plaza Trust	100	100	32,679	32,679
Abacus Mertz Apartments	100	100	5,746	6,859
Abacus Retail Property Trust	100	100	-	-
Abacus Stafford Trust	100	100	5,097	5,097
Abacus Tamworth Retail Trust	100	100	10,190	11,951
Abacus Wollongong Property Trust	100	100	5,348	6,160

(b) Ultimate parent

AGHL has been designated as the parent entity of the Group.

(c) Key Management Personnel

Details of key management personnel are disclosed in Note 26.

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25. RELATED PARTY DISCOSURES (CONTINUED)

(d) Transactions with related parties

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Transactions with related parties other than associates and joint ventures				
Revenues				
Distributions received / receivable from controlled entities	-	-	12,000	30,000
Asset management fees received / receivable	2,954	5,218	-	-
Property management fees received / receivable	890	1,044	-	-
Interest revenue from related funds	11,192	5,164	-	-
Other transactions				
Current tax payable assumed from wholly-owned tax consolidation parties	-	-	(9,965)	(7,203)
Capital tax losses assumed from wholly-owned tax consolidation parties	-	-	13,762	6,639
Loan advanced from controlled entities	-	-	86,558	122,699
Loan repayments to controlled entities	-	-	(78,357)	(66,400)
Loan received from entities within the Group	-	-	-	68,574
Loan repayments from entities within the Group	-	-	-	(120,769)
Transactions with associates and joint ventures				
Revenues				
Management fees received / receivables from joint ventures	240	641	-	-
Management fees received / receivables from associates	2,176	-	-	-
Distributions received / receivable from associates	-	-	-	-
Distributions received / receivable from joint ventures	4,186	7,322	-	-
Interest revenue from associates	6,583	3,338	-	-
Interest revenue from joint ventures	2,311	1,559	315	949

25. RELATED PARTY DISCOSURES (CONTINUED)

(d) Transactions with related parties (continued)

Other transactions				
Loan advanced to associates	(7,653)	(498)		-
Loan advanced from associates	-	562	-	-
Loan repayments from associates	2,534	-	-	-
Loan repayments to associates	(369)	(9,956)	-	-
Loan advanced to joint ventures	(5,757)	(14,299)	(5,757)	(13,949)
Loan repayments from joint ventures	6,704	9,260	6,704	372
Loan advanced from joint ventures	1,299	-	1,299	-
Loan repayments to joint ventures	-	(47,104)	-	(4,854)
Interest expense on loan from joint ventures	-	-	-	-
Purchase of unlisted securities	-	(19,336)	-	-
Sale of units in subsidiary	-	8,245	-	-

Terms and conditions of transactions

Sales and fees to and purchases and fees charged from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured and settlement occurs in cash.

No provision for doubtful debts has been recognised or bad debts incurred with respect to amounts payable or receivable from related parties during the year. An impairment of $15.9 million was recognised by the Group as part of the restructuring of ADIFII.

Guarantees provided to Joint Venture project related parties are disclosed in Note 28.

(e) Director-related entity transactions

A director, Mr Dennis Bluth, is a partner in the legal firm HWL Ebsworth and during the year a total amount of $0.1 million (2009: $0.2 million) was paid to the firm for legal services relating to corporate issues, lease documentation and sales contracts.

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26. KEY MANAGEMENT PERSONNEL

(a) Compensation for Key Management Personnel

	CONSOLIDATED		PARENT	
	2010 $	2009 $	2010 $	2009 $
Short-term employee benefits	6,217,280	4,208,148	-	-
Post-employment benefits	326,187	592,483	-	-
Other long-term benefits	44,508	44,165		
Security-based payments	-	1,289,742	-	-
	6,587,975	6,134,538	-	-

(b) Security holdings of Key Management Personnel

Securities held in Abacus Property Group (number)

30 JUNE 10	BALANCE 1 JULY 09	PURCHASES /(SALES)	BALANCE 30 JUNE 10
Directors			
J Thame	200,756	76,064	276,820
F Wolf	14,073,226	114,096	14,187,322
W Bartlett	16,000	98,032	114,032
D Bastian	5,000,000	500,000	5,500,000
D Bluth	286,953	55,349	342,302
M Irving	80,651	42,899	123,550
L Lloyd	55,925	-	55,925
Executives			
R de Aboitiz	383,237	52,696	435,933
T Hardwick	100,000	(100,000)	-
P Strain	100,000	50,701	150,701
E Varejes	309,875	-	309,875
Total	**20,606,623**	**889,837**	**21,496,460**

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26. KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Security holdings of Key Management Personnel (continued)

Securities held in Abacus Property Group (number) (continued)

30 JUNE 09	BALANCE 1 JULY 08	DISPOSED VIA ESLP	PURCHASES / (SALES)	BALANCE 30 JUNE 09
Directors				
J Thame	55,378	-	145,378	200,756
F Wolf	9,718,338	(2,881,725)	7,236,613	14,073,226
W Bartlett	8,000	-	8,000	16,000
D Bastian	4,503,497	-	496,503	5,000,000
D Bluth	20,000	-	266,953	286,953
M Irving	35,387	-	45,264	80,651
L Lloyd	790,925	(785,925)	50,925	55,925
Executives				
R de Aboitiz	654,938	(654,938)	383,237	383,237
T Hardwick	1,750,000	(1,700,000)	50,000	100,000
J L'Estrange	1,309,875	(1,309,875)	-	-
P Strain	654,938	(654,938)	100,000	100,000
E Varejes	1,309,875	(1,309,875)	309,875	309,875
Total	**20,811,151**	**(9,297,276)**	**9,092,748**	**20,606,623**

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(c) Loans to Key Management Personnel

There were no loans to individuals that exceeded $100,000 at any time in 2010 or in the prior year.

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26. KEY MANAGEMENT PERSONNEL (CONTINUED)

(d) Other transactions and balances with Key Management Personnel and their related parties

During the financial year, transactions occur between the Group and Key Management Personnel which are within normal employee, customer or supplier relationship on terms and conditions no more favourable to than those with which it is reasonable to expect the entity would have adopted if dealing with Key Management Personnel or director-related entity at arm's length in similar circumstances including, for example, performance of contracts of employment, the reimbursement of expenses and the payment of distributions on their stapled securities in the Group and on their investment in various Trusts managed by Abacus Funds Management Limited as Responsible Entity.

An executive, Tom Hardwick, has a 20% interest in the issued capital of Redstone (NSW) Pty Ltd which owns CCG1 Pty Limited, the operator of childcare centres. During the year the Group lent $0.97 million to CCG1 Pty Limited and the balance at 30 June 2010 was $23.16 million. Interest of $2.48 million has been charged on the loan for the year.

Amounts recognised at the reporting date in relation to other transactions with Key Management Personnel:

	2010 $'000	2009 $'000
Assets		
Current assets		
Trade and other receivables	147	1,040
Non-current assets		
Mortgage loans	23,158	19,081
Total Assets	**23,305**	**20,121**
Revenue	**2,480**	**3,405**

27. SECURITY BASED PAYMENT PLANS

(a) Recognised security payment expenses

The expense recognised for employee services received during the year is as follows:

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Expense arising from equity-settled payment transactions	-	1,542	-	-

The security-based payment plans that were cancelled effective 30 June 2009 are described below.

(b) Types of security-based payment plans

Executive Performance Award Plan (EPAP)

Security options were granted to executives employed on or before the first day of the relevant financial year. Under the EPAP, the exercise price of the options was set by reference to the market price of the securities near the time of each annual grant and performance is measured by comparing the Group's Total Securityholder Return (TSR) (security price appreciation plus distributions reinvested) with a group of peer companies. The performance measurement period was three years.

The cancellation of the EPAP on 30 June 2009 resulted in the bringing forward of any remaining share based payment expenses to that year.

The EPAP is no longer in operation and ceased on 30 June 2009.

Executive Security Loan Plan (ESLP)

Executives were offered limited recourse loans to acquire Group securities on market. The Executive entered into a salary sacrifice arrangement under which base remuneration approximately equal to a notional interest amount on the loan was foregone by the Executive. The interest rate for a financial year was equivalent to the Group distribution rate for that year.

The securities acquired under the Plan were purchased on market and were fully vested.

The loans were to be repaid with the proceeds of securities that were acquired under the ESLP.

This plan was accounted for and valued as an option plan, with the contractual life of each option equivalent to the estimated loan life. The repayment of the loans was treated as an increase to Contributed Equity.

The ESLP is no longer in operation and ceased on 30 June 2009.

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27. SECURITY BASED PAYMENT PLANS (CONTINUED)

(c) Summary of options

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, security options:

	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at the beginning of the year	-	-	23,180,139	1.87
Forfeited during the year	-	-	(584,458)	1.81
Cancellation of the plans	-	-	(22,595,681)	1.87
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

28. COMMITMENTS AND CONTINGENCIES

The Group has provided the following guarantees to the Abacus Diversified Income Fund II ("ADIFII" or the "Fund"):

UNIT TYPE	CASH DISTRIBUTION YIELD GUARANTEE	CAPITAL RETURN GUARANTEE
Existing Units $1.00 (Class A)	8.5% pa until 30 June 2011 and based on the actual distributable cash of the Fund thereafter.	$1.00 per unit at 30 September 2013 if the net assets per Unit are less than $1.00 at 30 June 2013.
Converted Units $1.00 (Class B)	8.5% pa until 30 June 2011 and 8.0% pa plus indexation thereafter (indexed in line with inflation in each year after 1 July 2011) over the Fund term (30 June 2016)	$1.00 per Unit at Fund termination (effective on 30 June 2016).
New Units $0.75 (Class C)	Initially 8.0% pa based on an issue price of $0.75 per Unit, indexed in line with inflation each year from 1 July 2010, over the Fund term (30 June 2016)	$0.75 per Unit at Fund termination (effective on 30 June 2016).

The Underwritten Distributions will be achieved by deferring the interest on the Working Capital Facility or by deferring any of the fees payable to the Group under the constitution of ADIFII (or a combination of these things) or in any other way the Group considers appropriate. Any interest or fee deferral or other funding support may be recovered if the actual cash distribution exceeds the cash required to meet the underwritten distribution at the expiration of the Fund term or on a winding up of the Fund.

The Underwritten Capital Return will apply to all ADIFII units on issue as at 1 July 2013 (Class A) on or after 1 July 2016 (Class B and C). At the time the Group will make an offer to acquire each Class A unit for $1.00, or ensure that each holder of Class B units receives back their $1.00 initial capital and each holder of Class C units receives back their $0.75 initial capital. The Underwritten Capital returns can be satisfied at the Group's discretion (Class A) or unitholder discretion with respect to Class B and C units through either a payment in cash or by the Group issuing stapled securities in APG to an equivalent value based on the 10 day volume weighted average price of APG's stapled securities over the period ending on 30 June 2013 or prior to issuing stapled securities as applicable.

After 30 June 2016 the Group will, if required, set off all or part of the principal of the second secured Working Capital Facility provided to ADIFII in satisfaction of the Group's obligations in respect of the Underwritten Capital Return.

28. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The fair value of these guarantees at 30 June 2010 has been determined, a liability has been recognised and the movement has been taken up as a charge in the Income Statement.

APG has a series of Funds for which it acts as responsible entity and Manager. Typically, APG provides working capital loans to these Funds to finance seed capital and seeks to make them self-funding through a combination of bank debt and equity. From time to time, APG provides additional funding to these Funds, via these working capital loans, which are used by the Funds for working capital purposes or asset purchases. Certain of these funds are presently in the process of refinancing current banking facilities and there may be consequential working capital loans provided to the Funds for which APG would obtain security.

Certain of the working capital loans have a right of redraw for amounts previously repaid, which at 30 June 2010, totalled $24.1 million (2009: $22.6 million).

There has been no other material change to any contingent liabilities or contingent assets.

Operating lease commitments – Group as lessee

The Group has entered into a commercial lease on its offices. The lease has a term of three years with an option to renew for another three years.

Future minimum rentals payable under non-cancelable operating lease as at 30 June are as follows:

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Within one year	744	741	-	-
After one year but not more than five years	747	1,491	-	-
More than five years	-	-	-	-
	1,491	**2,232**	**-**	**-**

Operating lease commitments – Group as lessor

Future minimum rentals receivable under non-cancelable operating leases as at 30 June are as follows:

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Within one year	54,282	66,748	259	334
After one year but not more than five years	99,945	131,601	289	558
More than five years	118,317	146,512	-	20
	272,544	**344,861**	**548**	**912**

These amounts do not include percentage rentals which may become receivable under certain leases on the basis of retail sales in excess of stipulated minimums and, in addition, do not include recovery of outgoings.

abacus property group

28. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Capital and Other commitments

At 30 June 2010 the Group had numerous commitments and contingent liabilities which principally related to property acquisition settlements, loan facility guarantees for the Group's interest in the jointly controlled projects and funds management vehicles, commitments relating to property refurbishing costs, unused mortgage loan facilities to third parties, and certain property put option arrangements.

Commitments contracted for and other contingent liabilities at reporting date but not recognised as liabilities are as follows:

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Within one year				
- gross settlement of property acquisitions[1]	42,000	49,500	-	-
- property refurbishment costs	2,050	1,820	-	-
- unused portion of loan facilities to outside parties	2,523	5,544	-	-
	46,573	56,864	-	-
After one year but not more than five years				
- other	22,500	1,535	-	-
	69,073	**58,399**	**-**	**-**

[1]Gross settlement of property acquisition commitments excludes bank debt or other external funding available to settle the transactions.

In accordance with Group policy, the fair value of all guarantees are estimated each period and form part of the Group's reported AIFRS results. There has been no other material change to any contingent liabilities or contingent assets.

29. AUDITOR'S REMUNERATION

The auditor of the Group is Ernst & Young.

	CONSOLIDATED		PARENT	
	2010 $	2009 $	2010 $	2009 $
Amounts received or due and receivable by Ernst & Young Australia for:				
- an audit of the financial report of the entity and any other entity in the consolidated entity	550,000	456,000	62,500	135,000
- other assurance and compliance services	37,000	34,500	-	-
	587,000	**490,500**	**62,500**	**135,000**

30. EVENTS AFTER THE BALANCE SHEET DATE

On 26 July 2010 the Group entered into a conditional agreement with the Kirsh Group to acquire Birkenhead Point Shopping Centre and Marina, Drummoyne, NSW (the Centre) for a total consideration of $174 million as equal tenants in common. Settlement is anticipated to occur in late 2010 with $45 million of the purchase price made available by the vendor as interest-free vendor finance for a period of 3 years.

On 23 August 2010 the Group accepted an offer to purchase 343 George St for $78 million. Settlement is anticipated to occur in September 2010.

Other than as disclosed above or in note 24 (Group re-financing) in this report and to the knowledge of directors, there has been no other matter or circumstance that has arisen since the end of the financial year that has 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.

abacus property group

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Abacus Group Holdings Limited, we state that:

In the opinion of the directors:

(a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b); and

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

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 year ended 30 June 2010.

On behalf of the Board

John Thame Chairman	Frank Wolf Managing Director

Sydney, 27 August 2010

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Independent auditor's report to the members of Abacus Group Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of Abacus Group Holdings Limited, which comprises the statement of financial position as at 30 June 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is attached to the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of Abacus Group Holdings Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of Abacus Group Holdings and the consolidated entity at 30 June 2010 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 19 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Abacus Group Holdings Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

K. Zdrilic
Partner
Sydney
27 August 2010

corporate governance report

CORPORATE GOVERNANCE REPORT

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

Recommendation 1.1

The Board has adopted a charter that sets out the functions and responsibilities reserved by the Board, those delegated to the Managing Director and those specific to the Chairman. The conduct of the Board is also governed by the Constitution.

The roles of Chairman and Managing Director are not exercised by the same individual.

The primary responsibilities of the Board and the Managing Director are set out in the Board Charter.

Senior executives reporting to the Managing Director have their roles and responsibilities defined in position descriptions and are given a letter of appointment on commencement.

The Board Charter and Constitution are available on the Abacus website.

Recommendation 1.2

Each year the Board, with the assistance of the Managing Director, and the Nomination and Remuneration Committee, undertakes a formal process of reviewing the performance of senior executives. The measures generally relate to the performance of Abacus and the performance of the executive individually. The Managing Director is not present at the Board or Nomination and Remuneration Committee meetings when his own remuneration and performance is being considered.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1

The board is comprised of two executive directors and five non-executive directors. The majority of the Board (Messrs Thame, Bluth, Irving, Bastian and Bartlett) are independent members. The board has determined that an independent director is one who:

- is not a substantial security holder or an officer of, or is not otherwise associated directly with, a substantial security holder of the Group;
- is not employed, or has not previously been employed in an executive capacity by the company or another group member, unless there has been a period of at least three years between ceasing such employment and serving on the board;
- has not within the last three years been a principal of a material professional adviser or a material consultant to the Group; or an employee materially associated with the service provided;
- is not a material supplier or customer of the Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- does not have a material contractual relationship with the Group other than as a director.

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 7 and 8.

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.

corporate governance report

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

Recommendation 2.2

The Chairman of the Board (Mr John Thame) is an independent, non-executive director.

Recommendation 2.3

The roles of Chairman and Chief Executive Officer/ Managing Director are not exercised by the same individual.

The division of responsibility between the Chairman and Managing Director has been agreed by the Board and is set out in the Board Charter.

The Managing Director may not go on to become Chairman.

Recommendation 2.4

The Board has established a Nomination and Remuneration committee. The Committee's charter sets its role, responsibilities and membership requirements. The members of the committee and their attendance at meetings are provided on page 9 of the annual report.

The Chairman of the committee is independent.

The Selection and Appointment of Non-Executive Directors policy sets out the procedures followed when considering the appointment of new directors.

The Nomination and Remuneration Committee Charter and the Selection and Appointment of Non-Executive Directors Policy are available on the website.

Recommendation 2.5

The Board has a documented Performance Evaluation Policy which outlines the process for evaluating the performance of the board, its committees and individual directors.

An annual review has taken place in the reporting period in accordance with the policy.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Recommendation 3.1

The Group's Code of Conduct promotes ethical practices and responsible decision making by directors and employees. The Code deals with confidentiality of information, protection of company assets, disclosure of potential conflicts of interest and compliance with laws and regulations.

The Code of Conduct is available on the website.

Recommendation 3.2

The Group Trading Policy restricts trading in Group securities by directors and employees. The policy sets out the periods in which trading in Group securities is permitted.

The Trading Policy is available on the website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1, 4.2 and 4.3

The board has established an Audit and Risk Committee.

The Audit and Risk Committee comprises three independent non-executive directors and the chairman of the Committee is not the chairman of the Board. The members of the committee and their attendance at meetings are provided on page 9. Other directors that are not members of the committee, the external auditor and other senior executives attend meetings by invitation.

The Audit and Risk Committee has a formal charter which sets out its specific roles and responsibilities, and composition requirements.

The procedures for the selection and appointment of the external auditor are set out in the Audit and Risk Committee Charter.

The Audit and Risk Committee Charter is available on the website.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1

The Group has a policy and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements. The Managing Director is responsible for ensuring that the Group complies with its disclosure obligations.

The Continuous Disclosure and Shareholder Communications Policy is available on the website.

corporate governance report

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITYHOLDERS

Recommendation 6.1

The Group aims to keep securityholders informed of significant developments and activities of the Group. The Group's website is updated regularly and includes annual and half-yearly reports, distribution history and all other announcements lodged with the ASX.

The Continuous Disclosure and Shareholder Communications Policy is available on the website.

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

External auditor

The external auditor attends the annual general meetings of the Group and is available to answer securityholder questions.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1 and 7.2

The Business Risk Management Policy dealing with oversight and management of material business risks is set out in the corporate governance information section on the Abacus website at www.abacusproperty.com.au.

The Group's Risk Management Framework was developed in consultation with an external consultant. Under the compliance plan the responsible managers report regularly on the risks they manage and any emerging risks.

An Internal Auditor (independent of the external auditor) has been appointed who reviews business processes and undertakes formal assessments throughout the year. These assessments are provided to the Audit and Risk Committee for review.

The Audit and Risk Committee has responsibility for reviewing the Group's risk management framework.

The risk management framework is formally reviewed annually. This review is initially carried out by the Compliance and Risk Manager and then reviewed by the Audit and Risk Committee and the Board to assess any necessary changes.

Recommendation 7.3

The Managing Director and Chief Financial Officer confirm in writing to the Board that the financial statements present a true and fair view and that this statement is based on a sound system of risk management and internal compliance. The statement also confirms that the statement is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8: ENCOURAGE ENHANCED PERFORMANCE

Recommendation 8.1

The board has established a Nomination and Remuneration Committee.

The Nomination and Remuneration Committee is responsible for assessing the processes for evaluating the performance of the Board and key executives.

A copy of the committee charter is available on the website. The Chairman of the Nomination and Remuneration Committee is independent.

The Group's remuneration policies including security-based payment plans and the remuneration of key management personnel are discussed in the Remuneration Report.

The remuneration committee may seek input from individuals on remuneration policies but no individual is directly involved in deciding their own remuneration.

The members of the committee and their attendance at meetings are provided on page 9.

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.

ASX additional information

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 24 August 2010..

Number of holders of ordinary fully paid stapled securities	12,732
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	646
Secretary, Abacus Funds Management Limited Secretary, Abacus Group Holdings Limited Secretary, Abacus Group Projects Limited	Ellis Varejes
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 (02) 9253 8600
Registry	Registries Limited Level 7, 207 Kent Street Sydney NSW 2000 (02) 9290 9600
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

Securityholders	Number of Securities
Calculator Australia Pty Limited	620,300,523
Perpetual Limited	127,834,350

ASX additional information

SECURITIES REGISTER

NUMBER OF SECURITIES	NUMBER OF SECURITYHOLDERS
1-1,000	557
1,001-5,000	1,421
5,001-10,000	1,756
10,001-100,000	8,192
100,001 – over	806

TOP 20 LARGEST SECURITYHOLDINGS

	SECURITYHOLDERS	NUMBER OF SECURITY	% OF ISSUED SECURITIES
1	Calculator Australia Pty Limited	620,300,523	33.494
2	J P Morgan Nominees Australia Limited	143,720,104	7.760
3	HSBC Custody Nominees (Australia) Limited	109,883,306	5.933
4	National Nominees Limited	91,796,743	4.957
5	RBC Dexia Investor Services Australia Nominees Pty Limited <Pipooled A/C>	78,307,069	4.228
6	J P Morgan Nominees Australia Limited	52,390,874	2.829
7	RBC Dexia Investor Services Australia Nominees Pty Limited <APN A/C>	41,642,429	2.249
8	Cogent Nominees Pty Limited	27,903,000	1.507
9	Citicorp Nominees Pty Limited	23,773,848	1.284
10	RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	17,227,319	0.930
11	Citicorp Nominees Pty Limited <CFSIL Cwlth Aust SHS 4 A/C>	16,294,158	0.880
12	Australian Executor Trustees Limited <No 1 Account>	15,148,533	0.818
13	Anz Nominees Limited <Cash Income A/C>	13,417,092	0.724
14	Avanteos Investments Limited <Avanteos Super Fund No 2 A/C>	12,611,452	0.681
15	RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	11,482,247	0.620
16	Kalambay Limited	11,347,509	0.613
17	Suncorp Custodian Services Pty Limited <AET>	9,181,769	0.496
18	Bond Street Custodians Limited <ENH Property Securities A/C>	8,496,573	0.459
19	Investec Bank (Australia) Limited	7,420,035	0.401
20	Equity Trustees Limited <EQT SGH Property Inc Fund>	7,219,663	0.390

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