



Abacus Property Group
ANNUAL REPORT 2015

THE CORE OF
WHAT WE DO

ABACUS PROPERTY GROUP

At 30 June 2015, Abacus Property Group comprised Abacus Trust, Abacus Income Trust, Abacus Storage Property Trust, Abacus Group Holdings Limited, Abacus Group Projects Limited and Abacus Storage Operations Limited.

AGHL has been identified as the parent entity of the Group. The financial reports of the Group for the year ended 30 June 2015 comprise the consolidated financial reports of AGHL and its controlled entities, AT and its controlled entities, AGPL and its controlled entities, AIT and its controlled entities, ASOL and its controlled entities, ASPT and its controlled entities, Abacus Hospitality Fund and its controlled entities, Abacus Diversified Income Fund II and its controlled entities and Abacus Wodonga Land Fund.

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
ASOL	Abacus Storage Operations Limited
ASPT	Abacus Storage Property Trust
AT	Abacus Trust
Group	Abacus Property Group

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AT THE CORE OF WHAT WE DO

Abacus Property Group is a leading diversified property group that specialises in private equity style real estate investment opportunities across Australia and New Zealand. Abacus was established in 1996. We listed on the ASX in 2002 and are included in the S&P/ASX 200 index.

Abacus' overarching strategy is to invest our capital in core plus properties. We take advantage of value adding opportunities to drive long term total returns and maximise securityholder value.

We have a successful track record of acquiring property based assets and actively managing those assets to enhance income and capital growth. We look for assets and projects in major centres, typically on the Eastern seaboard of Australia, that are mispriced by the market and which we believe have the potential for income and capital growth. Where appropriate, we realise mature assets and redeploy capital into the next generation of higher growth opportunities. Our core plus presence and track record has facilitated joint ventures with a number of sophisticated global third party capital providers.

Our experience has shown that strict adherence to our fundamental investment criteria enables us to buy assets well and provide opportunities for outperformance while minimising downside risk to equity.

Abacus has three integrated property businesses built on our core expertise in accessing properties and projects and actively managing them to realise their full value. Our flat corporate structure and business model supports strong synergies across our businesses and contributes to the overall success of the businesses and the Group.

PROPERTY INVESTMENT

Abacus Property Group owns a diversified investment portfolio of office, storage, industrial and retail properties. Rental income from these properties is the largest contributor to the earnings of the Group. Abacus' disciplined property selection process maintains a firm focus on fundamental real estate value.

Abacus seeks mispriced assets with short term imperfections in fundamentals, such as temporary flaws in leasing, management or capital structures. Abacus pursues transformational events that will drive an asset's value.

As at 30 June 2015, Abacus Property Group had a total of \$1.3 billion in property assets on the balance sheet. This total comprises the commercial portfolio (\$848 million) and the storage portfolio (\$457 million). \$260 million of investment portfolio assets are held in third party joint ventures with global investment firms.

PROPERTY VENTURES

Abacus Property Group provides a range of property development and finance solutions. We actively engage in commercial, retail, industrial and residential development opportunities in metropolitan eastern seaboard locations.

Abacus participates in projects directly or with experienced joint venture partners through the combination of our capital and property expertise with the regional or sector-specific expertise of our joint venture partners. We provide finance solutions for real estate development, typically with participation in project upside.

As at 30 June 2015, Abacus Property Group had a total of \$419 million in development and financing projects on the balance sheet.

FUNDS MANAGEMENT

Abacus has historically offered a wide range of high quality investment solutions designed to meet the needs of different groups of retail investors. Since 2009 the Group has redirected its focus towards wholesale third party capital and has acquired over \$1 billion of assets with global investors.



OUR GOAL IS CLEAR

Our investment objective is to provide our investors with reliable and increasing returns. We look for property assets that are capable of providing growth in:

- rental income; and
- asset value

as a result of our diligent active management.

We do this through the acquisition, development and management of property assets by:

- taking advantage of our specialised knowledge and market position as the only listed core plus investor in the ASX 200 index;
- investing in core plus property investments that are expected to yield 12-15% per annum equity total returns over time; and
- driving value through the Group's active management philosophy.

The Group's philosophy centres around three guiding principles that are at the core of what we do:

PROPERTY ACQUISITION

Strong and consistent investment strategy and analysis ensures that the right properties are acquired at the right price.



ASSET MANAGEMENT

Each asset we acquire has a very specific core plus strategy that is developed at the time of acquisition. We have the track record and the experience in asset management to drive transformational events.

INVESTMENT REALISATION

Where appropriate, we return mature assets to the market and redeploy realised capital into the next generation of higher growth opportunities.

IN TOTAL
ABACUS HAS
OVER \$2.1 BILLION
OF ASSETS UNDER
MANAGEMENT



PROPOSED RESIDENTIAL
DEVELOPMENT IN SOUTH
BRISBANE QLD





A YEAR IN REVIEW

RY ROAD

D



John Thame
Chairman

Frank Wolf
Managing Director

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

DEAR SECURITYHOLDERS

It gives us great pleasure in presenting to you another strong result after a pleasing year for Abacus Property Group. The financial results demonstrated strong contributions from all of Abacus' business sectors providing further increases to underlying profit and earnings per security. The success from recent sales transactions across our investment and development portfolios and another strong contribution from our storage portfolio have driven the improved results compared to 2014.

Strong capital management remains as important today as it has been over the last 5 years. The Abacus balance sheet continues to maintain good levels of liquidity and gearing, primed for opportunities to add to our investment portfolio and project pipeline in the 2016 financial year. Gearing remains low at only 18.2%, and provides significant acquisition capacity of over \$350 million, which has already been put to good use with a number of high quality acquisitions so far in the new financial year.

The Group produced strong underlying profit growth of 27%, growing from \$108.3 million to \$128.3 million for the financial year to 30 June 2015, from the prior year. We also delivered 17.5% growth in underlying earnings per security this year, to 24.5 cents and was backed by cashflow from operations per security of 23.3 cents.

These strong results underwrote our distributions to securityholders and provided the opportunity to increase distributions to 17.0 cents per security and provided surplus capital for re-investment.

Abacus securities performed well, delivering another year of outperformance with a 24.1% total return. This significantly outperformed the benchmark index the S&P/ASX 200 A-REIT Accumulation index, which includes all the major listed property groups and takes account of their price and distribution performance. The index delivered a 20.3% total return for the year.

The accompanying annual financial report includes our operating and financial review (OFR) on pages 28 to 41. The objectives of the OFR are to provide our securityholders with a narrative and analysis to supplement the financial report and assist in understanding our operations, financial position, business strategies and prospects. It contains information you need to make an informed assessment of the Group. We encourage you to read the OFR.

SUSTAINABILITY

We are very proud of our sustainability protocol and strategies throughout the year. This report illustrates the environmental footprint from the Group's operations and management and key performance indicators over time to help us manage and reduce our consumption of natural resources. We encourage you to read this report.

Abacus is an active core plus manager. We acquire assets that we believe are mispriced by the market and fix that mispricing through active management. This strategy may result in mature assets that have been transformed being returned to the market. We believe this strategy has a positive impact on the environment as we extend and rejuvenate the life cycle of assets that may be on their way to becoming obsolete and ultimately end in demolition and rebuilding. This causes a negative impact on the environment and the use of additional natural resources. Unfortunately, the assets that have benefited from these sustainability initiatives are not captured in our metrics as the asset has been sold at that time.

Nevertheless we continue to improve the environmental sustainability of our buildings. The responsible management of our buildings contribute to capital appreciation of these buildings over time.

OUTLOOK

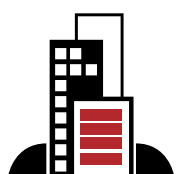
Abacus has delivered another pleasing set of financial results which continues a trend of strong results over the last 5 years. The year was again characterised with robust transactional activity, taking advantage of market conditions and remixing the portfolio to provide new opportunities. We expect these new opportunities will crystallise good capital returns. Recurring earnings are anticipated to increase over the coming year as our recent investments add to returns and we utilise our current surplus capital capacity for new opportunities.

Our focus in FY16 remains on the sourcing of opportunities and the delivery of core plus strategies across our asset base and residential development projects to maintain our current growth trajectory. Our growth strategies will continue to utilise third party capital relationships as opportunities arise.

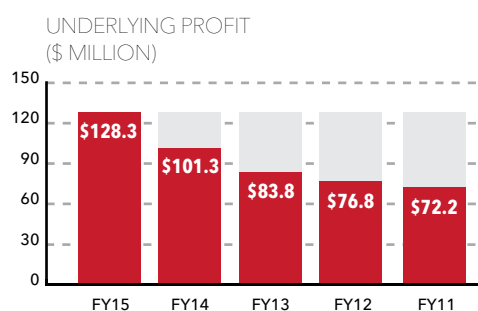
The business is strong and the outlook is sound. We have a suite of assets and projects that can continue to deliver strong results to securityholders. We continue to remain active in the market despite the strength in asset pricing and challenges across leasing markets and we are confident that our residential development opportunities should deliver strong risk adjusted returns over the coming years.

Finally, we and the other members of our Board would like to thank you, our investors and our other stakeholders for your continued support. We are pleased with what we have been able to and we are confident that we are positioning Abacus well in order to continue to deliver strong long term total returns. This would not be possible without the dedication and hard work of everyone at Abacus. Therefore, on behalf of the Board, we would like to thank our executive team and all our staff.

FINANCIAL HIGHLIGHTS



\$2.0 BILLION
OF TOTAL ASSETS



17.5%

GROWTH IN
UNDERLYING EPS
TO 24.5 CENTS



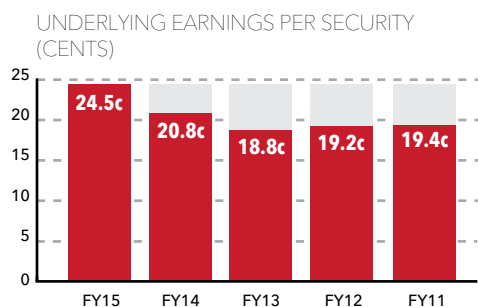
\$1.3B

OF INVESTMENT
PROPERTIES



27%

GROWTH IN
UNDERLYING EARNINGS
TO \$128.3 MILLION



24.1%

TOTAL RETURN TO
SECURITY HOLDERS



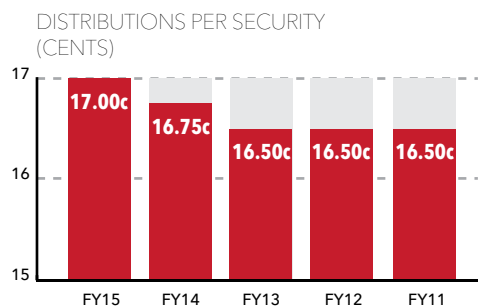
\$122.2M

CASH FLOW FROM
OPERATIONS



18.2%

GEARING



91

PROPERTIES



93.4%

OCCUPANCY



86%

OCCUPANCY
ACROSS THE
STORAGE
PORTFOLIO



FINANCIAL HIGHLIGHTS	2015	2014	2013
Consolidated statutory net profit ¹	\$133.5m	\$108.3m	\$61.1m
Underlying profit ²	\$128.3m	\$101.3m	\$83.8m
Cashflow from operations	\$122.2m	\$90.3m	\$105.7m
Underlying profit per security	24.5c	20.8c	18.8c
Cashflow from operations per security	23.3c	18.6c	23.7c
Distributions per security ³	17.00c	16.75c	16.50c
Interest cover ratio ⁴	5.7x	4.8x	3.3x



BALANCE SHEET METRICS	2015	2014	2013
Total assets	\$2.0bn	\$1.9bn	\$1.8bn
Net tangible assets ⁵	\$1.4bn	\$1.2bn	\$1.0bn
NTA per security	\$2.49	\$2.38	\$2.32
Gearing ⁶	18.2%	23.4%	28.4%
Covenant gearing ⁷	22.8%	28.6%	36.6%
Total debt drawn	\$388m	\$500m	\$565m
Debt term to maturity	4.3yrs	4.6yrs	2.1yrs
Average cost of debt ⁸	6.1%	5.4%	6.1%

1 Excludes non controlling interests.

2 Calculated in accordance with the AICD/Finsia principles for reporting underlying profit.

3 Includes distributions declared post period end (1 July 2015, 1 July 2014 and 1 July 2013).

4 Calculated as underlying EBITDA divided by interest expense.

5 Excludes external non-controlling interests of \$31.0 million (2014: \$36.8 million 2013: \$43.8 million).

6 Bank debt minus cash divided by total assets minus cash.

7 Total liabilities (net of cash) divided by Total Tangible Assets (net of cash).

8 Weighted average base rate plus margin on drawn amount plus facility line fees.

CASE STUDY



BIRKENHEAD POINT SHOPPING CENTRE AND MARINA, SYDNEY NSW

Birkenhead Point Shopping Centre and Marina was acquired in November 2010 for \$174 million in a 50/50 partnership with Abacus' major securityholder the Kirsh Group. The property was acquired on an initial yield of 8.0%.

At the core of the acquisition decision was Abacus' ability to see fundamental value in the asset and a clear strategy to deliver significant income and capital value enhancements through opportunities that perfectly suited Abacus' core skills.

The property consisted of a 32,483m² partially refurbished mixed use shopping centre including traditional retail and factory outlet tenancies and a 187 berth marina. The centre was finalising a \$50 million partial refurbishment program, the effects of which had not yet been fully realised. The centre was located in Drummoyne, an affluent area in the Inner West suburbs, 5km from the Sydney CBD. The centre has a unique 155m frontage to Sydney harbour.

Abacus had a vision to develop the asset into Australia's premium outlet centre combined with a quality convenience based shopping offer to satisfy the strong and growing trade area. Abacus identified a number of key success factors that incorporated:

- Enhanced development works to improve the functional layout and connectivity with the harbour;
- Provide a full convenience retail offer with contemporary fresh food precinct;
- Ensure a strong representation of premium branded fashion retailers;
- Expand and redevelop the Marina; and
- Bring in an experienced and competent management team.

Abacus complemented its retail team with an experienced, dedicated management team for the centre with an initial key focus on bringing the operations of the centre into line with industry benchmarks. They investigated and captured additional earnings opportunities and developed an appropriate marketing, styling and branding strategy to ensure maximum visibility and targeting of the centre.

A complete leasing strategy was identified and delivered a premium outlet offer, coupled with a high quality food and convenience offer. A near complete re-tenancing of the centre occurred over the time of ownership and redevelopment with a comprehensive improvement of premium fashion, fresh food and service based retailers. The redevelopment of the convenience precinct allowed for an expanded new format Coles and a creation of a 1,500m² ALDI supermarket that enhanced the appeal of the ground floor convenience based precinct.

In total, the team commenced 14 individual development projects that completed the repositioning of the centre over the 4 years of ownership. These projects were focused largely on improving the connectivity and functional layout of the centre, whilst unlocking new retail space. The team delivered more than 2,500m² of additional GLA from unproductive and unusable space whilst repositioning a number of 'back of house' areas into quality retail space which maximised the outlook onto the harbour and created new café, restaurant and food court precincts.

The centre's marina was redeveloped over this time with a complete reconfiguration and extension of the southernmost marina arms to increase the number of berths from 187 to 201. The redevelopment also provided extra capacity to cater for larger more prestigious vessels up to 45m in length. A new 110,000 litre split cell underground fuel tank was placed on site providing a much needed alternative fuelling option for the harbour. These services and the upgraded convenience food offer provided an attractive one stop shop option for Sydney boat owners.

Over the time of ownership Abacus re mixed the entire centre and completed its vision to provide Australia's premium outlet centre combined with a quality convenience based shopping offer. The centre's moving annual turnover was pushed from c.\$125million to over \$200 million and occupancy was virtually 100%. These activities positioned the property as a highly attractive institutional grade core asset. The asset was sold in October 2014 for \$310 million following a number of unsolicited enquiries dictated a wider marketing campaign. The asset generated an equity IRR of 24%.



OUR PERFORMANCE

FY15 FINANCIAL RESULTS

We have delivered a strong result across all of the Group's main financial and capital metrics. Abacus' total assets increased to almost \$2.0 billion, with net assets growing to \$1.4 billion. The Group's net tangible asset backing per security improved to \$2.49 from \$2.38, a 4.9% increase and reflected the improvement in the Group's retail portfolio in particular Ashfield Mall and the Group's storage facilities.

The Abacus balance sheet was in a robust capital position at balance date with gearing at low levels of 18% as a result of recent sales and the March 2015 capital raising. At 30 June 2015, Abacus had \$207 million of available liquidity that provides capacity for future acquisitions and capital commitments. Abacus has committed capital to new acquisitions and projects in FY16 totalling \$112 million including recently announced acquisitions of a 50% interest in 201 Pacific Highway, St Leonards, NSW for \$57.5 million and 75% interest in Lutwyche City Shopping Centre, Brisbane, QLD for \$48.75 million.

The Group completed a non-renounceable entitlement offer to securityholders in March 2015 raising a total of \$107 million providing important growth capital and helping settle the acquisition of Oasis Shopping Centre in Broadbeach QLD at that time.

There are no debt expiries in 2016 and our average debt term to maturity is over 4.3 years. We anticipate Abacus' weighted average interest rate will remain relatively stable as current capacity is utilised and anticipate it should be no greater than 6.1% over the next year.

OVERVIEW OF OUR OPERATING DIVISIONS

Investment portfolio

Our investment portfolio delivered \$132.1 million EBITDA for the financial year. This result, which includes our commercial and storage portfolios, was 19% above 2014. This was assisted by the sale of a number of investment portfolio assets including 484 St Kilda Road in Victoria and Birkenhead Point Shopping Centre and Marina, Wharf 10 and 309 George Street in NSW during the year which realised gains of c.\$47.2 million. The sale of mature investment assets throughout the year and the difficult leasing environment across the office sector impacted on the portfolio's metrics with occupancy of the commercial portfolio down to 93.4% from 94.6% 12 months ago. The Abacus portfolio offers embedded long term capital and earnings growth that Abacus is committed on delivering through the property cycle. Abacus remains focused on maintaining revenue and cashflows to support securityholder distributions.

The commercial portfolio is diversified across asset classes which are well located, largely along the eastern seaboard in major metropolitan areas. While some geographic areas have challenging markets we nevertheless believe this diversification provides a level of security and stability to the portfolio's property income and cashflows.

The office leasing environment had a challenging start to the year as the drag from FY14's difficult market environment continued. As the year progressed it became apparent there was a clear divergence in leasing markets across capital city CBD's. Positive net absorption and a tightening in CBD office vacancies started to show green shoots of recovery in Sydney and to a lesser extent Melbourne in Q115.

The outperformance of these two markets is expected to continue from robust tenant demand combined with fragmented vacancy across the CBD. Incentives are also expected to move lower over FY16 as a result of these factors. The Brisbane market continues to be challenging as surplus supply comes to market.

Abacus' office portfolio is well suited to the challenges facing the different office markets throughout Australia. The portfolio has limited exposure to full floor or multi-floor tenants, and is configured more for multi-tenanted floors. This allows us to work proactively with our tenants to contract or expand and adjust their space requirements.

Abacus' retail portfolio is largely based around properties that are the dominant trader in their respective trade areas. They are heavily centred on non-discretionary and convenience based shopping. The Group has recently added assets to the portfolio that have strong turn around prospects that can take advantage of the positive outlook for the sector.

Our industrial portfolio is largely focused on assets with strong yields on sites that offer strategic value through alternative use or expansion strategies.

Abacus' third party capital joint ventures remain an integral strategic investment platform for the Group. Abacus expanded the platform further during the year with a number of new joint ventures with new investment partners. These acquisitions took the total of high quality assets that Abacus has acquired with capital partners since 2009 to over \$1 billion.

Storage trading across the portfolio improved, delivering EBITDA growth of 6.2% for the 12 months to 30 June 2015 over the prior corresponding period. This increase was largely driven by stabilised asset acquisitions and strong trading across the core portfolio.

The addition of recently acquired industrial sites for conversion to storage facilities has impacted growth in the portfolio's operating metrics while they undergo let up. Despite the addition of the new facilities, the portfolio's metrics were maintained in portfolio occupancy across the financial year at 84.9%, down slightly from 85.0% (FY14 average) and average portfolio rental yield at \$250 per m² average, matching the \$250 per m² in FY14.

The storage portfolio's stabilised assets continue to deliver improved operating performances across Australian and New Zealand markets and continue to be the key contributor to underlying growth across the portfolio. Adjusting the portfolio to remove the four conversion facilities currently in let up mode (Castle Hill, Wodonga, Thornleigh and St Peters), portfolio occupancy grew to 86.0% from 85.0% and average rental rate increased to \$258m² from \$250m². This improved portfolio RevPAM (revenue per available square metre) across the portfolio to \$216m², a 2.9% increase from last year of \$210m². The fall in the New Zealand dollar during the year also negatively impacted the improvement in the NZ assets.

Property ventures

The Property Ventures business invests in and provides finance solutions that focus on select residential and commercial development opportunities in core locations directly and with experienced local joint venture partners. Abacus has total assets of \$419 million in property venture projects, an increase of \$110 million during the year due to investment in a number of residential opportunities in inner city markets across the eastern seaboard of Australia and incremental costs associated with procuring development approvals on existing projects. Abacus has made a strategic investment decision to invest heavily into Sydney residential development opportunities, where residential markets have enjoyed

substantial pricing growth, as a result of a lack of fundamental value in traditional commercial CBD markets. The low interest rate environment suggests the positive environment will continue into FY16/17.

The division generated an EBITDA result of \$25.7 million for the year, a decrease of 12.1% to the FY14 result of \$29.3 million due to a reduction in transactional profits in FY15 post the realisation of Bay Street development in FY14. Abacus has estimated potential to generate end sales revenue of c.\$1.0 billion between FY16 and FY19 underpinned by over 7,500 unit or land sites held at an average cost of \$55,000 per unit/land site.

Funds management

In line with a reduction in assets under management, the funds management business generated an underlying EBITDA result of \$8.5 million for the period. Abacus has \$153 million of funds invested across the platform. Abacus continues to manage these unlisted funds to optimise the returns with selective sales and acquisitions of assets where opportunities and market conditions allow. In line with this strategy, ADIF II acquired a 50% interest in an Adelaide CBD office asset for \$74 million while AHF successfully exited the Christchurch market selling the Chateau on the Park Hotel for NZ\$35 million during the year.



The increase of 23% in the Group's consolidated AIFRS statutory profit to \$133.5 million, up from \$108.3 million in the 2014 financial year



Abacus' underlying profit¹ of \$128.3 million, up 27%



An increase of 17% in Abacus' underlying earnings per security to 24.5 cents, up from 20.8 cents in FY14



Abacus' cashflow from operations was \$122.2 million, or 23.3 cents per security



Sold assets totalling \$750 million in value



Sourced acquisitions totalling \$633 million in value



91 investment properties valued at \$1.3 billion



Storage portfolio occupancy increased to 86%



Storage facility revenue per available meter (RevPAM) was \$216 per m², up 2.9%



Added \$456 million of assets to our third party capital platform to over \$1 billion of total assets purchased

1. Underlying profit and earnings per security are a non-AIFRS measure that the Group uses to assess performance and distribution levels. They are calculated in accordance with the AICD/Finsia principles.

SUSTAINABILITY REPORT

FOR ABACUS, SUSTAINABILITY MEANS CONSIDERING ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS AND OPPORTUNITIES IN OUR BUSINESS OPERATIONS. THIS COVERS OUR INVESTMENT DECISION-MAKING PROCESS TO OUR ASSET MANAGEMENT AND DEVELOPMENT ACTIVITIES AND ANY ASSET REALISATIONS.

THE ENVIRONMENT

This is Abacus' second year of providing data on the Group's environmental footprint from its operations and management and the first year where we have some comparable data. The data comparing our key performance indicators over time has and will help us manage and hopefully reduce our consumption of natural resources.

Abacus is well positioned to improve the environmental sustainability of our buildings through efficient property management and development and upgrade of buildings which incorporate more efficient plant and equipment. The responsible management of our buildings will also contribute to capital appreciation of those buildings over time.

When reading and utilising the information contained in this report, it is important to remember Abacus's investment philosophy that is the cornerstone for every investment decision. Abacus is an active core plus manager. We acquire assets that we believe are mispriced by the market and fix that mispricing through active management. This strategy may result in mature assets that have been transformed being returned to the market. We believe this strategy has a positive impact on the environment as we extend and rejuvenate the life cycle of assets that may be on their way to becoming obsolete and ultimately end in demolition and rebuilding. This causes a negative impact on the environment and the use of additional natural resources. Unfortunately, the assets that have benefited from these

sustainability initiatives are not captured in our metrics as the asset has been sold at that time.

Typically when a new property is acquired a full assessment of the property would be completed which may entail both functional upgrades and cosmetic changes. We will often upgrade mechanical services before lifecycle replacement (including control systems Cbus systems, air conditioning chillers, boilers, pumps, cooling towers etc) in order to improve environmental and financial outcomes. These strategies help enhance the properties' NABERS ratings and evidence of this can be seen below.

Our key performance indicators for environmental sustainability are set out in the table below. Total energy use is a measure of electricity, gas and diesel consumed in the management of our properties. Energy intensity identifies the energy use for each square metre of gross lettable area. We have similarly measured our water usage and water intensity at our managed properties. Carbon emissions combine direct emissions from gas and diesel consumed for base building services (scope 1) and indirect emissions from electricity consumed (scope 2).

Key Performance Indicators - Whole Portfolio

ENVIRONMENTAL MEASURE	KEY PERFORMANCE INDICATOR	YEAR ENDED 30 JUNE 2015	YEAR ENDED 30 JUNE 2014
Total Energy Use	Energy use from electricity, gas and diesel (GJ)	132,292 GJ	144,886 GJ
Energy Intensity	Energy use per square metre of gross lettable area (MJ/m ²)	390 MJ/m ²	571 MJ/m ²
Total Water Use	Water consumption (KL)	245,868 KL	254,685 KL
Water intensity	Water use per square metre of gross lettable area (KL/m ²)	0.7 KL/m ²	1.0 KL/m ²
Carbon Emissions	Carbon emissions (scope 1 and scope 2) associated with energy consumed (Tonnes CO ₂ e)	31,768 tCO ₂ e	26,091 tCO ₂ e



SUSTAINABILITY REPORT CONTINUED

Key Performance Indicators - Like for like properties (properties owned for the 12 months of FY14 and FY15)

ENVIRONMENTAL MEASURE	KEY PERFORMANCE INDICATOR	YEAR ENDED 30 JUNE 2015	YEAR ENDED 30 JUNE 2014
Total Energy Use	Energy use from electricity, gas and diesel (GJ)	77,263 GJ	95,394 GJ
Energy Intensity	Energy use per square metre of gross lettable area (MJ/m ²)	412 MJ/m ²	524 MJ/m ²
Total Water Use	Water consumption (KL)	133,440 KL	131,010 KL
Water intensity	Water use per square metre of gross lettable area (KL/m ²)	0.7 KL/m ²	0.7 KL/m ²
Carbon Emissions	Carbon emissions (scope 1 and scope 2) associated with energy consumed (Tonnes CO ₂ e)	15,969 tCO ₂ e	15,210 tCO ₂ e

Pleasingly our key performance indicators highlight a reduction across the portfolio in the amount of energy and water consumed in total and also per square metre of gross lettable area. This followed a number of energy performance enhancing initiatives at properties undergoing refurbishment that included:

- Optimisation strategies of the start/stop of the air conditioning systems;
- Optimisation of the domestic water temperature when possible;
- Replacement of fire stairs and carpark lighting with Chameleon LED lighting system;
- Replacement of lighting for all refurbished floors from T8 to T5 or LED when possible; and
- Replacement of obsolete air condition chillers with state of the art powerpax chillers.

We are also very proud that for the past four years Abacus has joined the global movement to combat climate change by taking part in Earth Hour. We joined millions around the world by turning off the lights in our properties for an hour and taking collective action against global warming.

Our results do show an increase in carbon emissions compared to the prior year. This was due to a larger number of assets in the Victorian state following a number of significant acquisitions during the year which included The World Trade Centre building and 710 Collins Street, both in Melbourne's Docklands area. Victorian electricity has the highest emission factor in Australia when calculating carbon emissions from energy usage.

These new acquisitions have been assessed under the Group's energy performance initiatives and we will look to enhance the buildings sustainability characteristics and aim to reduce their carbon emission footprint.

We were able to split the analysis to see the key performance indicators on a like for like basis, capturing data on assets we have owned for a full two year period. The results correlate with the whole portfolio illustrating similar reductions across the same metrics when you exclude water consumption. The increase in water consumption can largely be allocated to two water leaks that were experienced within the portfolio during the year. Unfortunately the leaks were only picked up once an increase in consumption was noticed at the next billing time but were found and fixed immediately. The quantum of increase in carbon emissions has reduced when compared to the emissions of the whole portfolio. The increase was likely due to lower occupancy across a number of properties and a colder winter this year, particularly in Melbourne, all of which contributed to an increased loading to power systems.

Our processes for capturing information are constantly being developed and expanded. We are looking into increasing the key performance indicators to include waste management once we are able to.

Key performance indicators are measured for properties under our operational control as defined in the National Greenhouse and Energy Reporting Act 2007 where Abacus has the authority to introduce and implement any or all of operating policies, health and safety policies or environmental policies for the property.

The NABERS rating is a tool that we use that assists in the identification of properties that could benefit from energy efficiency capital improvements which in turn may improve the prospects for leasing vacant space or renewing leases with tenants who may otherwise have vacated. This is an important metric but as we have already indicated it is not appropriate to evaluate Abacus from a sustainability perspective on the basis of NABERS ratings.

The core plus nature of our business is to acquire and manage properties that may present lower than average ratings specifically to exploit the opportunity to upgrade and enhance assets and ultimately enhance capital values.

NABERS ratings are not required or appropriate for all the managed properties in our portfolio.

Our properties that currently have a NABERS energy or NABERS water rating are:

PROPERTY	2015 NABERS ENERGY	2014 NABERS ENERGY	2015 NABERS WATER	2014 NABERS WATER
8 Station Street, Wollongong, NSW	3.5	3.5	4.0	4.0
32 Walker Street, North Sydney, NSW	3.5	3.0	3.0	n/a
14 Martin Place, Sydney, NSW	3.0	2.5	2.0	2.0
50 – 52 Pirrama Road Wharf 10, Pyrmont, NSW	Sold	3.0	Sold	n/a
169 Varsity Parade, Varsity Lakes, QLD	1.0	2.5	4.0	n/a
1 Bellvue Drive, Varsity Lakes, QLD	Exempt	Exempt	-	n/a
35 Boundary Street, Brisbane, QLD	3.5	2.5	6.0	n/a
51 Allara Street, Canberra, ACT	5.0	5.0	4.5	4.5
91 King William Street, Adelaide, SA	4.0	4.0	3.0	n/a
484 St Kilda Road, Melbourne, VIC	Sold	3.0	Sold	n/a
World Trade Centre, Melbourne, VIC	2.5	-	n/a	-
710 Collins Street, Melbourne, VIC	3.5	-	n/a	-

The performance metrics indicate that we have been able to successfully increase a number of our properties energy and water ratings during the year. Pleasingly a number of these improvements were as a direct result of sustainability initiatives that were put in place during the year. This included the replacement of a low load chiller with a new state of the art energy efficient powerpax chiller at 14 Martin Place in Sydney NSW. We also reconfigured the main air conditioning system at 35 Boundary Street in Brisbane, QLD which provided a more efficient use of the building's air conditioning system. We did record a fall in the NABERS rating of 169 Varsity Lakes as a result of an increase in vacancy.

THE WORKPLACE

Social issues of potential material implication to Abacus' business encompass a wide range of areas including health and safety, human capital management and human rights. For Abacus, the most material social issues are workplace health and safety.

Health and safety is important for all businesses, and Abacus has a Workplace Health and Safety Policy to ensure we provide a safe environment for all employees and others accessing our owned and managed properties.

Our Board Charter, Code of Conduct, Diversity Policy, Audit and Risk Policy, Risk Management Framework and Employee Handbook demonstrate our commitment to human capital management.

Work Health and Safety Management

Abacus strives, through effective consultation and a process of continuous improvement, to integrate safety and health into all aspects of our activities. We:

- have adopted a health and safety management system to systematically manage health and safety throughout all Abacus work environments
- set objectives and targets aimed at measuring our health and safety performance
- provide our staff and contractors with appropriate supervision and training to make them aware of and accept their responsibility to achieve a safe work environment
- have implemented a system that enables and encourages effective communication and consultation
- maintain procedures and practices that enable a systematic and effective approach to identifying, reporting, assessing and controlling risk
- allocate financial, human and physical resources to meet our commitments

Work Health and Safety Performance

We aim to achieve zero harm in the workplace. Abacus recognises the fundamental right of all workers and those affected by our undertaking to a safe and healthy environment. Through the application of our workplace health and safety principals, we endeavour to provide a safe and healthy working environment for all our employees, contractors, customers and visitors.

During FY15 we recorded zero fatalities, disabling injuries, occupational illnesses or other reportable injuries. There were however a number of incidents:

- 13 employee lost time incidents resulting in 30 lost working days. This was a reduction of 21% on FY14.
- 10 medically treated injuries
- 16 high-potential near hits
- 123% increase in reporting of incidents requiring first aid or no treatment
- 320% increase in early intervention activities

The above data illustrates the improvements the Group has achieved with a significant increase in reporting of incidents as a result of the training and frameworks implemented across the Group.

SUSTAINABILITY REPORT CONTINUED



710 COLLINS STREET
MELBOURNE VIC

Activities into FY16 will see the further streamlining and integration of the health and safety management system with business and operational processes that should provide further improvements in health and safety performance across the Group. In all the Board have committed to 20 key objectives to ensure that the Group's work, health and safety practices are integrated into all processes conducted by the business and improve our performance.

OUR PEOPLE

We have a strong commitment to our people and focus on providing an engaging work environment that creates a foundation that supports their personal and business development. We encourage people to exercise their entrepreneurial spirit within the collaborative culture of Abacus to deliver the Group's business goals. We actively encourage and support a diverse workforce where gender, age, ethnicity can contribute positively in the workplace. Gender diversity has been a key focus and we continue to implement initiatives to maximise opportunities for women across the business and in management, supporting flexible working arrangements and prevent harassment in the workplace.

Metrics illustrating women's pay as a percentage of male salaries showed slight movements across a number of levels. This was largely due to a higher turnover of staff in 2014. Importantly the changes at manager and senior manager levels were due to the promotion of a female employee into a more senior pay bracket. Each bracket has a number of pay scales that relate to different levels of experience and responsibilities.

Providing an encouraging environment that empowers people to grow and develop is critical to the delivery of our business goals. It is Abacus' policy that all staff receive appropriate training for their responsibilities. This includes introductory training for new staff, internal training seminars and suitable external training. The head of each department in Abacus is directly responsible for the training (initial and continuing) of the staff in their department.

On an annual basis, each responsible manager must complete a training plan for the next 12 months. A training register is maintained and updated monthly for all staff.

All staff are subject to an annual appraisal process with the heads of each department. For executive staff this incorporates performance reviews against the achievement of defined key performance indicators. This process delivers transparency and facilitates discussion on an individual's goals and performance.

We recognise that as we expand the business through acquisitions and sales and the delivery of projects our workforce will evolve. In FY14 our total workforce turnover was 24%. This was largely as a result of the sale of Birkenhead Point Shopping Centre and Marina in Sydney and the acquisition of Oasis Shopping Centre on the Gold Coast where centre staff were transferred or employed along with the asset. This is typical of our active management business that can deliver a higher turnover in staff as assets and projects are transferred.

WORKPLACE METRICS

	2015 FEMALE		2014 FEMALE		2015 MALE		2014 MALE		2015 TOTAL	2014 TOTAL
	NO.	%	NO.	%	NO.	%	NO.	%	NO.	NO.
Board	1	17	1	20	5	83	5	80	6	5
Workforce	25	44	25	45	32	56	30	55	57	55
Executive	1	14	1	13	6	85	7	87	7	8
Management	4	36	4	36	7	64	7	64	11	11

FEMALE SALARIES AS A PERCENTAGE OF MALE SALARIES

	2015			2014		
	FEMALE NO.	MALE NO.	% OF MALE SALARY	FEMALE NO.	MALE NO.	% OF MALE SALARY
Entry	6	2	101	5	1	101
Intermediate	5	2	93	3	2	103
Experienced	7	4	108	7	2	131
Specialist	3	10	117	5	11	100
Manager	2	3	79	4	3	85
Senior Manager	1	3	84	0	4	N/A
Executive	1	7	88	1	6	87
MD	0	1	N/A	0	1	N/A

FULL TIME / PART TIME

	2015 FEMALE		2014 FEMALE		2015 MALE		2014 MALE		2015 TOTAL	2014 TOTAL
	NO.	%	NO.	%	NO.	%	NO.	%	NO.	NO.
Full time	21	41	20	42	30	59	28	58	51	48
Part time	4	67	5	71	2	33	2	29	6	7

PROPORTION OF FEMALES BY JOB LEVEL

	2015 FEMALE		2014 FEMALE		2015 MALE		2014 MALE		2015 TOTAL	2014 TOTAL
	NO.	%	NO.	%	NO.	%	NO.	%	NO.	NO.
Entry	6	75	5	83	2	25	1	17	8	6
Intermediate	5	71	3	60	2	29	2	40	7	5
Experienced	7	64	7	78	4	36	2	22	11	9
Specialist	3	23	5	31	10	77	11	69	13	16
Manager	2	40	4	57	3	60	3	43	5	7
Senior Manager	1	25	0	0	3	75	4	100	4	4
Executive	1	13	1	14	7	87	6	86	8	7
MD	0	0	0	0	1	100	1	100	1	1

CASE STUDY

02

484 ST KILDA ROAD, MELBOURNE VIC

Abacus acquired 484 St Kilda Road in November 2011 in joint venture with global real estate investment management firm Heitman LLC (Heitman) for \$68 million. The property was acquired on an initial yield of c.8.7%.

The property provided 20,366m² of high quality accommodation as one of the best office assets in its Melbourne city fringe precinct of St Kilda Road, only 5km south of the Melbourne CBD. The building was an A grade commercial office building located on a prominent corner site with unobstructed views across Albert Park Lake and to Port Phillip Bay.

Abacus' core skills were able to quickly recognise the building offered outstanding core plus opportunities. We recognised that the St Kilda submarket was experiencing tightening vacancy levels, significant tenant relocation and an opportunity to grow rents off a low base. Our ability to move quickly enabled the Group to acquire the property on a low rate per square metre.

The property underwent a refurbishment program updating the internal fit out on some floors and we secured SAP as an anchor tenant on the top 3 floors. The team expanded and refurbished the ground floor retail and introduced a successful café that became a destination of choice not only for tenants but also workers in the local area.

The joint venture maintained high occupancy across the property with significant tenant retention, achieving substantial improvements in rental rates across new and retained leases as the sub market attracted strong tenant covenants.

At the time of sale in August 2014, the property set submarket records for capital rate per square metre prices with a sales price of \$94 million. A 34% improvement on its original acquisition price together with the strong yield during ownership delivered the joint venture an equity IRR of c.24%.





REAR (LEFT TO RIGHT)

Mr Malcolm Irving
Mr John Thame
Dr Frank Wolf
Mr Peter Spira

FRONT (LEFT TO RIGHT)

Mr William Bartlett
Mrs Myra Salkinder

THE BOARD MEMBERS

JOHN THAME

Mr Thame joined the Board upon listing in 2002. John 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. John was Chairman (2004 to 2008) and a director (1997 to 2008) of St. George Bank Limited and St. George Life Limited.

WILLIAM BARTLETT

Mr Bartlett joined the Board in 2007. As a partner at Ernst & Young for 23 years, Bill held the roles of Chairman of Worldwide Insurance Practice, National Director of Australian Financial Services Practice and Chairman of the Client Service Board. Bill is a director of Suncorp Group Limited, GWA Limited, Reinsurance Group of America Inc. and RGA Reinsurance Company of Australia Limited. He is also Chairman of the Cerebral Palsy Foundation of Australia.

FRANK WOLF

Dr Wolf has been a member of the Abacus team from its inception in 1996. Frank was Deputy Chairman upon listing in 2002 and took over as Managing Director in 2006. Frank has over 25 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. He has been instrumental in over \$5 billion worth of property related transactions, corporate acquisitions and divestments and has financed specialist property-based assets in the retirement and hospitality sectors. He is also a director of HGL Limited.

MYRA SALKINDER

Mrs Salkinder joined the Board in 2011. Myra is a senior executive of the Kirsh Group. She has been integrally involved over many years with the continued expansion of the Kirsh Group's property and other investments, both in South Africa, Australia and internationally. Myra is a director of various companies associated with the Kirsh Group worldwide.

MALCOLM IRVING

Mr Irving joined the Board upon listing in 2002. Malcolm has over 40 years' experience in company management, including 12 years as Managing Director of CIBC Australia Limited. He is also a director of O'Connell Street Associates Pty Ltd and Macquarie University Hospital.

PETER SPIRA

Mr Spira joined the Board in 2015. Peter had significant experience in the Australian real estate sector with Meriton Group, Australia's largest residential apartment developer. Peter was responsible for Meriton Group's development projects. He also led the Meriton team in researching and developing new construction and remediation systems. Peter was a director of Meriton Group from 2005 until he retired in 2015. In 2006 Peter received the Order of Australia (AM) for services to the development industry. Peter is a director of Retire Australia.

SENIOR EXECUTIVE TEAM

CATE AARONS

Head of Strategy

Cate is responsible for strategy for the Group and for its managed funds.

ROB BAULDERSTONE

Chief Financial Officer

Rob is responsible for the Group's financial management, financial reporting and treasury functions.

CAMERON LAIRD

Joint Director Property Ventures

Cameron is jointly responsible for the Group's joint venture developments and fostering new property ventures. In addition he is responsible for the asset management and development activities across the Group's retail portfolio.

GAVIN LECHEM

Director Specialised Capital

Gavin is responsible for driving the Group's third party capital initiatives.

JOHN L'ESTRANGE

Joint Director Property Ventures

John is jointly responsible for building the Group's property ventures business by overseeing current projects and fostering new property and funding opportunities.

PETER STRAIN

Director Property

Peter focuses on the leasing and administration of the Group's investment portfolio. Peter continues to be responsible for the asset management activities across the Group.

ELLIS VAREJES

Chief Operating Officer and Company Secretary

Ellis is responsible for the Group's transactional, business and legal functions.

ANNUAL FINANCIAL REPORT

30 JUNE 2015

DIRECTORY

Abacus Group Holdings Limited
ABN: 31 080 604 619

Abacus Group Projects Limited
ABN: 11 104 066 104

Abacus Storage Operations Limited
ABN: 37 112 457 075

Abacus Funds Management Limited
ABN: 66 007 415 590

**Abacus Storage Funds
Management Limited**
ABN: 41 109 324 834

Registered Office
Level 34, Australia Square
264-278 George Street
SYDNEY NSW 2000
Tel: (02) 9253 8600
Fax: (02) 9253 8616
Website: www.abacusproperty.com.au

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

**Directors of Responsible Entities and
Abacus Group Holdings Limited:**

John Thame, Chairman
Frank Wolf, Managing Director
William Bartlett
Malcolm Irving
Myra Salkinder
Peter Spira

Company Secretary:
Ellis Varejes

**Auditor (Financial and
Compliance Plan):**

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

Share Registry:
Boardroom Pty Ltd
Level 12, 225 George St
SYDNEY NSW 2000
Tel: 1300 737 760
Fax: 1300 653 459

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It is recommended that this Annual Financial Report should be read in conjunction with the Annual Financial Report of Abacus Trust, Abacus Group Projects Limited, Abacus Income Trust, Abacus Storage Property Trust and Abacus Storage Operations Limited as at 30 June 2015. 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 2015

The Directors of Abacus Group Holdings Limited ("AGHL"), Abacus Funds Management Limited ("AFML") - the Responsible entity of Abacus Trust ("AT") and Abacus Income Trust ("AIT"), Abacus Group Projects Limited ("AGPL"), Abacus Storage Funds Management Limited ("ASFML") - the Responsible Entity of Abacus Storage Property Trust ("ASPT") and Abacus Storage Operations Limited ("ASOL") present their report for the year ended 30 June 2015.

PRINCIPAL ACTIVITIES

The principal activities of Abacus Property Group were investment in office, retail and industrial properties, investment in self-storage facilities, participation in property ventures and developments and property funds management. There has been no significant change in the nature of these activities during the year.

OPERATING AND FINANCIAL REVIEW

The operating and financial review is intended to convey the Directors' perspective of Abacus Property Group and its operational and financial performance. It sets out information to assist securityholders to understand and interpret the financial statements prepared in accordance with Australian International Financial Reporting Standards ("AIFRS") included in this report. It should be read in conjunction with the financial statements and accompanying notes.

Listed Structure / Entities

The listed Abacus Property Group is a diversified property group that operates predominantly in Australia. It comprises AGHL, AT, AGPL, AIT, ASPT and ASOL (collectively "Abacus") and its securities trade on the Australian Securities Exchange ("ASX") as ABP. Abacus was listed on the ASX in November 2002. Its market capitalisation was over \$1.62 billion at 30 June 2015.

Shares in AGHL, AGPL and ASOL and units in AT, AIT and ASPT are stapled so none can be dealt with without the others, and are traded together on the ASX as Abacus securities. An Abacus security consists of one share in AGHL, one unit in AT, one share in AGPL, one unit in AIT, one share in ASOL and one unit in ASPT. A transfer, issue or reorganisation of a share or unit in any of the component parts requires, while they continue to be stapled, a corresponding transfer, issue or reorganisation of a share or unit in each of the other component parts.

AGHL, AGPL and ASOL are companies that are incorporated and domiciled in Australia. AT, AIT and ASPT are Australian registered managed investment schemes. AFML is the Responsible Entity of AT and AIT and ASFML is the Responsible Entity of ASPT. Both AFML and ASFML are incorporated and domiciled in Australia and are wholly-owned subsidiaries of AGHL.

Abacus Property Group Consolidation

The application of AASB10 by Abacus results in the consolidation of Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Wodonga Land Fund (the "Group"). This is due to the combination of Abacus' role as responsible entity, variable returns arising from its collective equity and loan investments in these funds, and certain guarantees.

AGHL has been identified as the parent entity of the Group. The financial reports of the Group for the year ended 30 June 2015 comprise the consolidated financial reports of AGHL and its controlled entities, AT and its controlled entities, AGPL and its controlled entities, AIT and its controlled entities, ASOL and its controlled entities, ASPT and its controlled entities, Abacus Hospitality Fund and its controlled entities, Abacus Diversified Income Fund II and its controlled entities and Abacus Wodonga Land Fund.

The principal activities of Abacus that contributed to its earnings during the course of the year ended 30 June 2015 included:

- investment in office, retail and industrial properties to derive rental and fee income;
- investment in self-storage facilities to derive storage fee income;
- participation in property ventures and developments to derive interest income and capital profits; and
- property funds management to derive fee income and equity returns.

DIRECTORS' REPORT

30 JUNE 2015

CONTINUED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

These activities are reported through our four core reportable segments of Property, Storage, Property Ventures and Funds Management, respectively.

Abacus is included in the S&P/ASX 200 A-REIT index (ASX:XPJ), a sub-index of the S&P/ASX 200 index that contains the listed vehicles classified as A-REITs. Abacus is the only dedicated core plus investor in the XPJ index and offers some differentiation to the market providing a more active management model to the other members of the XPJ index that are focused on rent collection or funds management.

OUR STRATEGY

Abacus' overarching strategy is to invest our capital in core plus property assets. Abacus takes advantage of value adding opportunities to drive long term total returns and maximise securityholder value. Our investment objective is to provide our investors with reliable and increasing returns. We look for property assets that are capable of providing strong and stable cash-backed distributions from a diversified portfolio that provides genuine potential for enhanced capital and income growth as a result of our active management. Abacus does this through the acquisition, development and active management of property assets. In particular:

- We take advantage of our specialised knowledge and market position as the only listed core plus investor in the XPJ index.
- We invest in core plus property investments that are expected to yield 12-15% per annum equity total returns over time.
- We drive value through active management of the asset portfolio and through the reinvestment of sales proceeds.

Abacus looks for assets in major centres, typically on the Eastern seaboard of Australia and New Zealand, that are mispriced by the market which we believe are capable of both cashflow and capital growth. Abacus generally invests in commercial assets up to \$100 million in value. These assets are usually B-Grade assets in good core locations in major trading or CBD areas. They generally offer more attractive core plus and enhancement characteristics and therefore better opportunities to deliver enhanced returns. Our philosophy with self-storage properties is focused on Australia and New Zealand and includes regional locations.

We have a successful track record of acquiring property based assets and actively managing those assets to enhance income and capital growth. Our core plus presence and track record has facilitated joint ventures with a number of sophisticated global third party capital providers. Our experience has shown that strict adherence to our fundamental investment criteria enables us to buy assets well and provide opportunities for outperformance while minimising downside risk to equity.

GROUP RESULTS SUMMARY

The Board monitors a range of financial information and operating performance indicators to measure performance over time. We use several measures to monitor the financial success of our overall strategy. The key measure is underlying profit.

	2015	2014
Revenue (\$ million)	287.8	370.4
Total income (\$ million)	375.9	424.7
Statutory net profit excluding non-controlling interests (\$ million)	133.5	108.3
Underlying profit [^] (\$ million)	128.3	101.3
Underlying profit per security [^] (c)	24.47	20.83
Cashflow from operating activities (\$ million)	119.3	120.6
Cashflow from operating activities per security (c)	22.75	24.81
Distributions per security [^] (c)	17.00	16.75
Interest cover ratio	5.7x	4.8x
Weighted securities on issue [^] (million)	524.4	486.1

[^] Abacus

DIRECTORS' REPORT

30 JUNE 2015

CONTINUED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

GROUP RESULTS SUMMARY (CONTINUED)

The Group earned a statutory net profit excluding non-controlling interests of \$133.5 million for the year ended 30 June 2015 (2014: \$108.3 million). This profit has been calculated in accordance with Australian Accounting Standards. It includes certain significant items that need adjustment to enable securityholders to obtain an understanding of Abacus' underlying profit of \$128.3 million, a 26.7% increase on the 2014 underlying profit of \$101.3 million.

The underlying 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 Abacus, in accordance with the AICD / Finsia principles for reporting underlying profit. The consolidated profits / (losses) which belong to the securityholders of Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Wodonga Land Fund are excluded as these profits cannot and do not form part of the distributable income of Abacus. The calculation of underlying profit excludes items such as unrealised fair value gains / losses on investment properties, unrealised provision gains / losses, adjustments arising from the effect of revaluing assets / liabilities carried at fair value (such as derivatives, financial instruments and investments), the consolidated profits / (losses) of managed funds which do not form part of the assessable or distributable profits of Abacus and other adjustments in the determination of underlying profit including transactions that occur infrequently and those that are outside the scope of Abacus' core ongoing business activities. Underlying profit is the basis on which distributions are determined.

The reconciliation between the Group's statutory profit excluding non-controlling interests and Abacus' underlying profit is below. This reconciliation and the underlying profit has not been reviewed or audited by the Group's auditor.

	2015 \$'000	2014 \$'000
Consolidated statutory net profit after tax attributable to members of the Group	133,498	108,273
add back: Consolidated losses relating to the managed funds (these losses are excluded as the profits/losses of the managed funds cannot and do not form part of the assessable and distributable income of Abacus)	14,135	3,368
Net profit attributable to Abacus securityholders	147,633	111,641
Certain significant items:		
Net (gain) / loss in fair value of investment properties held at balance date	(29,430)	(22,131)
Net change in property, plant and equipment remeasured at fair value	(435)	1,434
Net change in fair value of investments and financial instruments held at balance date	(1,323)	(2,548)
Net loss in fair value of derivatives	10,949	15,436
Net change in fair value of property, plant and equipment, inventory and investment properties included in equity accounted investments	940	(2,554)
Underlying profit attributable to Abacus securityholders	128,334	101,278
	2015	2014
Basic earnings per security (cents)	25.46	22.27
Basic underlying earnings per security [^] (cents)	24.47	20.83
Distribution per security [^] (cents - including proposed distribution)	17.00	16.75
Weighted average securities on issue (million)	524.4	486.1

[^] Abacus

OPERATING AND FINANCIAL REVIEW (CONTINUED)

GROUP RESULTS SUMMARY (CONTINUED)

FY15 was another year of conflicting metrics across property markets. The low interest rate environment and outlook combined with the higher yields offered from Australian real estate relative to overseas markets drove strong demand for real estate assets across all sectors despite the mixed economic fundamentals and consumer sentiment remaining very cautious throughout the year.

The dislocation was more evident across office and industrial assets. Strong demand for assets created capitalisation rate compression while the leasing markets continued to be sluggish and increasingly divergent across states. Sydney and Melbourne office markets are expected to outperform other major Australian capital cities with superior supply/demand fundamentals. Other cities will have difficult conditions for a while further. This should represent an opportunity for strong acquisition opportunities at the appropriate time when pricing reflects fundamentals. Retail trade conditions improved slightly due to the low interest rate environment, strong house price growth and a falling Australian dollar which drove a softening in overseas internet sales.

As a result, fundamental value remains difficult to find across traditional CBD markets. Abacus remained a cautious acquirer while taking advantage of the demand for real estate and sold a number of mature assets. Abacus completed sales totalling over \$272 million during the year. These sales helped deliver strong returns for Abacus. The sale proceeds were re-invested in the Abacus' growth strategy and helped acquire \$165 million of new assets. Abacus has continued to expand the third party capital platform with the development of new relationships with global investment firms KKR and The Goldman Sachs Group, Inc.

The limited ability to find fundamental value in the commercial real estate markets and the low interest rate environment driving strength in pricing across completed residential products drove an increased focus in development projects throughout the year. As a result, Abacus significantly increased its exposure by over \$110 million across a number of new residential development projects in major cities on Australia's eastern seaboard. All market metrics point to sustained strength in residential markets, in particular NSW where the majority of the Group's exposure resides.

The increase in the Group's statutory net profit excluding non-controlling interests was principally due to profits on sale of investment portfolio assets including 484 St Kilda Road in VIC and Birkenhead Point Shopping Centre and Marina, Wharf 10 and 309 George Street in NSW. These contributed to an increase of 26.7% to the underlying profit attributable to Abacus securityholders.

The impact of both year-end fair value adjustments and the Group's performance on its financial position were as follows:

	2015	2014
Total assets (\$ million)	2,137.2	2,079.3
Gearing [^] (%)	18.2	23.4
Net assets* (\$ million)	1,407.1	1,253.4
Net tangible assets** (\$ million)	1,377.7	1,225.0
NTA per security [^] (\$)	2.49	2.38
NTA per security post distribution [^] (\$)	2.41	2.30

[^] Abacus only - Gearing metric calculated as debt minus cash divided by total assets minus cash

* Excluding external non-controlling interests of \$31.0 million (2014: \$36.8 million)

The increase in net assets of the Group by 12.3% reflects the improved performance compared to the previous year. During the year, the Group's total assets increased despite property disposals throughout the year.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

GROUP RESULTS SUMMARY (CONTINUED)

Capital management

The Abacus balance sheet continues to be strong with gearing remaining low at 18.2%, well within our target gearing limit of 35%. At 30 June 2015, Abacus had \$207 million of available liquidity that provides capacity for use for up to \$350 million of accretive acquisitions.

The Group completed a number of capital management initiatives during the year which included a rights issue to all existing securityholders in April 2015. The accelerated non renounceable entitlement offer raised a total of \$107 million and provided important growth capital for acquisitions and projects.

During the year, Abacus extended its bank loan facilities including its \$480 million syndicated facility by a further year to maintain it as a 6 year loan facility. Abacus also increased its storage loan facility to \$250 million and extended it to 2020. Abacus has no debt expiring in FY2016.

We continue to improve and reweight the balance sheet to larger, higher quality core plus assets with a focus on disciplined capital management strategies. We anticipate Abacus' weighted average interest rate will remain relatively stable as current capacity is utilised and anticipate it should be no greater than 6.0% over the next year.

CORE SEGMENT RESULTS SUMMARY

Business activities that specifically contributed to the Abacus' operating performance and financial condition for the financial year were:

Property

Abacus' property segment delivered a result of \$112.1 million for the year ended 30 June 2015. This represented an increase of 12.0% compared to the previous year largely attributable to the sales of investment portfolio assets including 484 St Kilda Road VIC and Birkenhead Point Shopping Centre and Marina, Wharf 10 and 309 George Street in NSW. The 37 assets (2014: 43 assets) that make up the commercial portfolio had a total value of \$848 million at year end (2014: \$909 million).

Pursuant to the 2015 portfolio valuation process, 17 out of 28 of the commercial properties (excluding equity accounted properties) or 83.0% by value were independently valued during the year to 30 June 2015. The remaining properties were subject to internal review and, where appropriate, their values were adjusted. The valuation process resulted in a net full year revaluation gain of \$10.2 million (2014: \$17.3 million gain) or 1.4% of investment properties. A significant contributor to this increase was the Group's retail assets, in particular Ashfield Mall located in Sydney, NSW as a result of a combined improvement in capitalisation rate and rental income following encouraging repositioning and re-leasing work.

During the year Abacus acquired the following commercial properties:

Retail

- Oasis Shopping Centre, Broadbeach QLD (40% indirect ownership) for \$41.4 million

Office

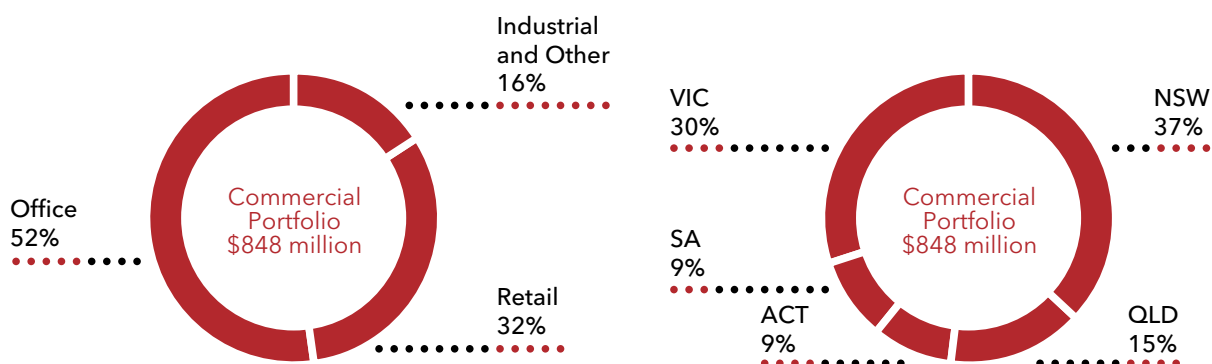
- World Trade Centre, Melbourne VIC (17.5% indirect ownership) for \$30.1 million
- 710 Collins Street, Melbourne VIC (100% ownership) for \$76.5 million

OPERATING AND FINANCIAL REVIEW (CONTINUED)

CORE SEGMENT RESULTS SUMMARY (CONTINUED)

Abacus sold a number of properties during the year, taking advantage of the strong pricing for assets. These properties included three assets held in joint ventures being the Victorian asset 484 St Kilda Road, St Kilda and the NSW assets of Wharf 10, Pyrmont, and 309 George St, Sydney. Abacus also sold two large retail assets being Birkenhead Point Shopping Centre and Marina in Drummoyne NSW and Aspley Village Shopping Centre in Aspley QLD. Abacus completed sales totalling over \$272 million during the year which realised gains of \$47.2 million.

The commercial portfolio is diversified across asset classes which are well located, largely along the eastern seaboard in major metropolitan areas. While some geographic areas are challenging we nevertheless believe this spread provides a level of security and stability to the portfolio's property income and cash flows.



Commercial portfolio (office, retail, industrial and other)

- \$848 million of commercial properties across 37 assets (including equity accounted properties)
- Portfolio capitalisation rate: 7.73%
- Portfolio occupancy: 93.4%
- Like for like rental growth of 2.2%
- Weighted average lease expiry ("WALE") profile of 4.1 years.

The sale of strong investment assets throughout the year and the difficult leasing environment across the office sector impacted on the portfolio's metrics across the commercial portfolio with occupancy down to 93.4% from 94.6% and like for like rental growth of 2.2% down from 4.5% 12 months ago. The Abacus portfolio offers embedded long term capital and earnings growth that Abacus is focused on delivering through the property cycle.

The portfolio has approximately 18% of leases up for renewal over the next year to 30 June 2016. This is consistent with prior periods where up to 20% of leases are due for renewal and this level or near term expiry is consistent with the length of our WALE and business model. As illustrated in the table below, and following this year's results, Abacus has a long and successful track record of leasing up near term expiries and maintaining occupancy thereby mitigating perceived risk to cashflows and distributions.

KEY LEASING METRICS	FY12	FY13	FY14	FY15	FY16
Period opening occupancy	92.8%	94.3%	92.8%	94.6%	93.4%
Impending years' vacancy	13%	19%	16%	21%	18%
Total space leased during year	82,565m ²	63,014m ²	51,679m ²	59,396m ²	
Period close occupancy	94.3%	92.8%	94.6%	93.4%	

The office leasing environment had a challenging start to the year as the drag from FY14's insipid market environment continued. As the year progressed it became apparent there was a clear divergence in leasing markets across capital city CBD's. Positive net absorption and a tightening in CBD office vacancies started to show green shoots of recovery in Sydney and to a lesser extent Melbourne in Q12015. The outperformance of these two markets is expected to continue from robust tenant demand combined with fragmented vacancy across the CBD. Incentives are also expected to move lower over FY16 as a result of these factors. The Brisbane market continues to be challenging as surplus supply comes to market.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

CORE SEGMENT RESULTS SUMMARY (CONTINUED)

We believe Abacus' portfolio is well suited to these challenging conditions. The office portfolio has limited exposure to full floor or multi-floor tenants, and is configured more for multi-tenanted floors. We have found the potential cost (financial and time) of relocating to another property in the same location often outweighs the benefit of a cheaper rent. Our tenants are also strongly connected to the property's location, which is traditionally the reason they initially leased the property and results in a positive predisposition to remain. Due to the multi-tenanted floor structure we also have the ability to work proactively with our tenants to contract or expand and adjust their space requirements.

While retail sales growth slowed towards the end of calendar year 2014, the 2015 calendar year started positively and it is anticipated to return to long term averages driven by lower energy prices, lower interest rates and solid gains in wealth from house and equity price increases during the year. The rental cycle is in an upswing in response to tenant demand and the improved sales environment but a lower Australian dollar will work against large increases given a squeeze in margins. Improving sales will lift rental growth expectations and should support further yield compression across most retail asset types.

Abacus' retail portfolio is largely based around properties that are the dominant trader in their respective trade areas. They are heavily centred on non-discretionary and convenience based shopping and trade well in their respective markets. The Group has recently added to the portfolio assets with strong turnaround prospects and it can take advantage of the positive outlook for the sector.

Abacus remains focused on maintaining revenue and cashflows to support securityholder distributions but nevertheless being conscious of the market's leasing requirements and competitive offerings.

Contribution from Third Party Capital

Abacus' third party capital joint ventures remain an integral strategic investment platform for the Group. Abacus expanded the platform further during the year with a number of joint ventures with new investment partners. Abacus entered into an investment relationship with global investment firm KKR that acquired two properties during the year, World Trade Centre in Melbourne and Oasis Shopping Centre on the Gold Coast for a combined total of almost \$225 million. Abacus also developed a relationship with The Goldman Sachs Group, Inc. to acquire 201 Pacific Hwy in Sydney for \$115 million. These acquisitions took the total of high quality core plus assets that Abacus has acquired with capital partners since 2009 to almost \$1 billion.

A number of assets held in the Heitman joint venture reached maturity during the year and were successfully sold for a total of \$136 million, delivering an aggregate equity IRR of 33.9% for Abacus securityholders. Abacus also sold another joint venture asset, 309 George Street for \$112 million delivering an equity IRR of 19%. These results illustrate the strength of Abacus investment analysis and asset management skills.

Abacus typically invests 25% to 50% of the required equity, with our capital partners investing the balance. Management of the property remains with Abacus and as a result we are able to leverage our capital to gain greater exposure to a higher number of core plus assets. This leads to greater earnings from fees and rental income. We will continue to focus on driving our third party strategy to expand our acquisition capacity.

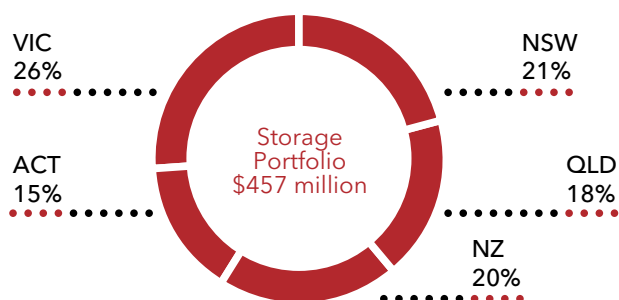
Storage

Abacus' storage portfolio delivered a result of \$47.6 million for the year ended 30 June 2015. This represents an increase on the FY14's result of \$31.3 million and can be attributed to an increase in net rental income and increase in the fair value of investment properties held at balance date. Portfolio assets totalled \$457 million across a total portfolio of 54 assets, an overall increase of three assets during the period.

Pursuant to the 2015 valuation process 24 storage assets out of 54 or 49% by value were independently valued during the year to 30 June 2015. The remaining properties were subject to internal review and, where appropriate, their values were adjusted. The valuation process resulted in a net full year revaluation gain of \$19.2 million (2014: \$4.9 million gain) or 4.4% of investment properties.

The storage portfolio is well diversified in Australia and New Zealand.

OPERATING AND FINANCIAL REVIEW (CONTINUED)
CORE SEGMENT RESULTS SUMMARY (CONTINUED)



- \$457 million of storage assets
- Portfolio capitalisation rate: 8.62%
- Occupancy: Australian portfolio 83.8% and NZ portfolio 88.5%
- Gross rental: Australian portfolio \$256 and NZ portfolio NZ\$261 per m².

The addition of recently acquired industrial sites for conversion to storage facilities has prevented further growth in the portfolio's metrics while they undergo let up from conversion completion. Despite the addition of the new facilities, the portfolio's metrics were maintained in portfolio occupancy across the financial year at 84.9%, down slightly from 85.0% (FY14 average) and average portfolio rental yield at \$250 per m² average, matching the \$250 per m² in FY14. The addition of the new facilities to the portfolio delivered improved revenue for the year.

The storage portfolio's stabilised assets are the key contributor to underlying growth across the portfolio. They continue to deliver improved operating performances across Australian and New Zealand markets. Adjusting the portfolio to remove the four converted facilities currently in let up mode (Castle Hill, Wodonga, Thornleigh and St Peters), portfolio occupancy grew to 86.0% from 85.0% and average rental rate increased to \$258m² from \$250m². This improved portfolio RevPAM (revenue per available square metre) across the stabilised portfolio to \$216m², a 1.4% increase from last year of \$213m². The fall in the New Zealand dollar during the year negatively impacted the improvement in the NZ assets. If FY14's RevPAM is adjusted to current rates the increase across the portfolio would be 2.9%. RevPAM measures the profitability and efficiency of your portfolio.

The portfolio remains focused on improving metrics across the whole portfolio, especially the new stores opened during the year. Let up in these stores are tracking well, especially stores in Wodonga and Castle Hill which have been opened for longer, with every improvement in occupancy enhancing the portfolio's performance. We continue to grow through acquisition of stabilised assets including two assets in Rozelle, NSW (\$8.25 million) and West Heidelberg, VIC (\$5.5 million) which met our investment criteria.

We continue to seek assets with strong conversion potential with the acquisition of an industrial asset in South Oakleigh, VIC (\$3.45 million) which is currently tenanted but has redevelopment potential and is currently in its design and planning phase.

The outlook for the sector remains buoyant despite the mixed economic environment generally across the country. Mature self-storage facilities continued to experience consecutive quarters of monthly revenue growth and storage fee rate growth. The Auckland and Melbourne markets both traded and performed strongly over the last 12 months. The Abacus portfolio is heavily weighted to the 7 core zones and well placed to take advantage of this outperformance in the market.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

CORE SEGMENT RESULTS SUMMARY (CONTINUED)

Property Ventures

The Property Ventures business invests in projects and provides finance solutions that focus on select residential and commercial development opportunities in core locations directly and with experienced local joint venture partners. Abacus has total assets of \$419 million in property venture projects, an increase of \$110 million due to investment in a number of residential opportunities in inner city markets across the eastern seaboard of Australia. The lack of fundamental value in traditional commercial CBD markets drove a decision to increase investments into residential markets, particularly the Sydney market, where residential markets have enjoyed substantial pricing growth. The low interest rate environment suggests the positive environment will continue into FY16/17.

During the year the Group added to its pipeline with a number of new projects which included:

- Erskineville, NSW (current investment \$15.6 million) - Proposal to redevelop an existing industrial site to accommodate approximately 172 residential apartments in an exciting inner city urban renewal precinct 5km South-West from the Sydney CBD. The project is a 50/50 joint venture. The development application was lodged in June 2015 and the intention is to start the sales campaign in September 2015. Completion is anticipated by end of FY17.
- Campsie, NSW (\$21.8 million) - The Campsie project incorporates two adjacent development sites on Canterbury Road in Campsie NSW. A private local developer has the two sites under separate development applications for a total of up to 400 residential units and 16 retail shops. Abacus will receive 50% of the project's profits. The sites can be sold separately or in one line and will be sold once development approval is received in FY16.
- Doncaster, VIC (\$13.6 million) - Proposal to develop approximately 296 residential apartments and five retail shops in a strong location close to Westfield Doncaster and on a major arterial route 19km from the Melbourne CBD. The project is a 50/50 joint venture. The development application was approved in June 2015 and is currently being marketed for sale.
- The Prince, ACT (\$2.9 million) - Development to build 152 residential apartments in the affluent mixed use Kingston Foreshore precinct, overlooking Lake Burley Griffin. The project is a 50/50 joint venture. The development application was approved in February 2015 and a marketing and sales campaign commenced in October 2014 and is progressing well with 125 apartments sold. Construction is anticipated to be completed in October 2016.
- Merivale, QLD (\$26.6 million) - Proposal to develop approximately 481 residential units in two stages across two high rise 30 storey towers in Brisbane's cultural precinct, Southbank, a short 750m walk to the CBD. The project is a 50/50 joint venture. A development application has been submitted and we anticipate approval in September 2015. Pre sales have commenced.

The Property Ventures division generated a result of \$26.7 million for the year, a decrease of 8.9% to FY14 result of \$29.3 million due to a reduction in transactional profits in FY15 post the realisation of the Bay Street development in FY14. The following transaction contributed to the result.

- Jack Road, VIC (\$6 million gain) - Part sale of an industrial site rezoned for mixed use for \$34 million in August 2014. A 12,500m² part of the sale was retained and is being considered for future commercial development.

Funds Management

The funds management business generated a result of \$8.5 million for the year. This result before fair value adjustments was below the FY14 result of \$15.3 million, which reflects the reduction in assets under management. Abacus continues to manage its unlisted funds to try to optimise the returns with selective sales and acquisitions of assets where opportunities and market conditions allow. In line with this strategy, ADIF II acquired a 50% interest in a solid Adelaide CBD office asset for \$74.0 million while AHF successfully exited the Christchurch market selling Chateau on the Park for NZ\$35 million during the year.

The progress of the management for each of the funds is set out in the non-core segment results summary on the following page.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

NON-CORE SEGMENT RESULTS SUMMARY

As a result of AASB10, the managed funds are consolidated into the Group financial statements and the Group's statutory profit includes the financial performance of these funds. These funds are treated as non-core segments as the assets of the funds are not directly owned by Abacus securityholders and do not contribute directly to Abacus' underlying profit and distributable income.

An overview of the financial performance of each of the funds for the year ended 30 June 2015 is as follows:

Abacus Hospitality Fund (AHF)

AHF owns three hotels: Rydges Tradewinds in Cairns, North Queensland with 246 rooms; Rydges Esplanade in Cairns, North Queensland with 242 rooms and Novotel Twin Waters Resort on the Sunshine Coast, Queensland with 374 rooms.

The fund sold Chateau on the Park, Christchurch, New Zealand in January 2015 for NZ\$35million. The net sales proceeds were applied to debt and fixed interest rate swap obligations.

The two hotels in Cairns generated slightly higher profits in the current year compared to the prior corresponding period, aided by the depreciation of the Australian dollar and increased tourism demand. Novotel Twin Waters resort has reported a weaker performance compared to last year as a result of lower than expected conference and events business. The outlook for the hotel is expected to improve following reduced competition in the area.

AHF has a bank facility until April 2017 with a loan to value ratio of c45%.

The strategy of the Fund is unchanged, with the aim of selling the hotel assets over the medium term as value opportunities arise. Distributions to unitholders are being paid quarterly, at the rate of 2c per security per annum.

Abacus Diversified Income Fund II (ADIF II)

At 30 June 2015 ADIF II owned 13 investment properties diversified by sector and state. The fund acquired 50% of Westpac House in Adelaide SA for \$74 million utilising sales proceeds from a number of sales late in FY14 and available bank debt. During the year three properties were sold.

- The Fund settled 1-5 Lake Drive, Dingley for \$14.1 million; and
- 75 and 81 Railway Street, Rockdale sold for total proceeds of \$15.5m

The property portfolio was approximately 79% occupied and had a weighted average lease term of 2.9 years. The Fund has a bank facility until June 2017. The loan is drawn to \$80m with a loan to value ratio of c46%.

Distributions are being paid to all unit classes in the Fund at guaranteed rates between 7.5% and 9.95%.

The Fund is expected to be wound up between June 2016 and June 2017 in accordance with the retail offer document.

Abacus Wodonga Land Fund (AWLF)

AWLF owns the estate known as White Box Rise located in Wodonga, Victoria. During the year 150 residential lots were settled for a combined gross proceeds of \$17.0 million. This is a considerable improvement on the prior year of 83 settlements. This takes the total number of lots settled to 609 since the start of the project. Construction of new residential stages is ongoing to maintain inventory for a range of markets including first home buyers, families, investors and retirees. These lots under construction are being pre-sold off the plan with settlements expected when titles are registered. White Box Rise has approximately 461 residential lots left to sell. During the year Council approved the Fund's amended development plan and planning permit.

No distributions were paid to unitholders during the year.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FUTURE PROSPECTS AND RISKS

Abacus remains committed to growing its core segments and will achieve this through the acquisition and ownership of core plus investment properties and development projects either through joint venture or directly on balance sheet. We will continue to actively manage our portfolio and where appropriate recycle the mature, lower growth assets realising the improved capital position to help provide liquidity to fund future acquisitions. We believe that increasing our allocation to core plus assets will improve recurring earnings to support and grow our distributions and cash flows, optimising securityholder returns in the coming years. At 30 June 2015 Abacus held sufficient acquisition capacity to acquire a further \$350 million of properties directly on the balance sheet or invest a further \$207 million in development projects. This capacity can be further leveraged to invest in a larger number of projects through joint venture arrangements. Recurring earnings are anticipated to increase over the coming year as a result of increased interest income for development loans transacted during the year and also an increased level of rental and interest income as the current surplus capacity on the balance sheet is utilised in new investments. Growth in revenue through further acquisitions will be driven by our ability to access new opportunities for that deliver our required equity returns in current markets that are showing signs of strong pricing. The on-going weakness in the leasing markets and the currently high level of incentives provided to new tenants is likely to have a negative influence on revenue growth. Any sales of investment properties or the completion and repayment of any development projects will also have a negative influence on revenue growth.

Abacus remains committed to delivering transactional returns to securityholders in addition to returns from recurring income. The Abacus balance sheet is exposed to transactional returns from both investment properties and also development projects. The timing and nature of transactional returns are unpredictable and uncertain therefore making it difficult to forecast.

There are a number of risk factors associated with property-related businesses that may have an impact on the financial prospects of Abacus. Some of the key risks are outlined below. This list is not exhaustive, and performance may be affected adversely by any of these risk and other factors.

- **Returns from investment** - Returns from investment in real property and other related property exposures depend largely on the amount of rental income that can be generated from the property, the expenses incurred in operations, including the management and maintenance of the property, as well as changes in the market value of the property. Factors which may adversely impact these returns include:
 - the overall conditions in the national and local economy, such as changes in gross domestic product, employment trends, inflation and interest rates;
 - local real estate conditions, such as the level of demand for and supply of retail, commercial and industrial space;
 - the perception of prospective tenants of the attractiveness, practicality and convenience of the rental space;
 - changes in tenancy laws and planning approval requirements;
 - external factors including major world events such as war, terrorist attacks or force majeure events;
 - unforeseen capital expenditures;
 - supply of new property and other investment assets;
 - cost of property outgoings and recoverability from tenants; and
 - investor demand/liquidity in investment markets.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FUTURE PROSPECTS AND RISKS (CONTINUED)

- **Development** - Abacus is involved in the development of real estate. Generally, property development projects have a number of risks including:
 - the risk that planning consents and regulatory approvals are not obtained or, if obtained, are received later than expected, or are adverse to Abacus' interests, or are not properly adhered to;
 - the escalation of development costs beyond those originally expected;
 - project delays;
 - anticipated sales prices or timing on sales not being achieved;
 - defaults on pre-sales contracts;
 - non-performance/breach of contract by a contractor, sub-contractor or joint venture partner; and
 - competing development projects adversely affecting the overall return achieved by Abacus developments.

A sustained downturn in property markets caused by any deterioration in the economic climate could result in reduced development profits through reduced selling prices or delays in achieving sales.

Increases in supply or falls in demand in any of the sectors of the property market in which Abacus operates or invests could influence the acquisition of sites, the timing and value of sales and carrying value of projects. The residential property market in particular may be adversely affected by declining consumer sentiment and increasing interest rates. In the short term this may affect, for example, project enquiry levels or rates of sale. In the medium-term factors such as the oversupply or undersupply in various markets may materially impact Abacus' development operations.

A number of factors affect the earnings, cashflows and valuations of Abacus' commercial property development, including construction costs, scheduled completion dates, estimated rental income and occupancy levels and the ability of tenants to meet rental and other contractual obligations.

- **Leasing terms and tenant defaults** - The future financial performance of Abacus will depend, in part, on its ability to continue to lease existing retail, office, industrial, storage (and fill hotel space) that is vacant or becomes vacant on economically favourable terms. In addition, our ability to lease new asset space in line with expected terms will impact on the financial performance of Abacus.

The ability of major tenants to meet their rental and other contractual commitments to Abacus (such as in situations of insolvency or closure of their businesses) may have an adverse impact on the income from properties, which may result in an adverse impact on the financial performance of Abacus.

This risk is managed through active asset management including ongoing liaison with tenants, regular maintenance and refurbishment of properties to attract tenants, timely marketing programs for vacant space and due diligence on the financial strength of prospective tenants prior to entering into leases.

- **Funding** - The property investment and development sector is highly capital intensive. The ability of Abacus to raise funds (equity and debt) on acceptable terms will depend on a number of factors including capital market conditions, general economic and political conditions, Abacus' performance, and credit availability. Changes in the cost of current and future borrowings and equity raisings may impact the earnings of Abacus, and impact the availability of funding for new acquisitions and projects, or increase refinancing risk as debt facilities mature.

Abacus uses debt funding provided by major banks. Any downgrade of Abacus' bank credit assessment may increase overall debt funding costs and adversely affect Abacus' access to debt funding and the terms on which that funding is offered. Abacus staggers the debt maturity profile to reduce the concentration of refinancing risks at any point in time and obtains funding through different banks to reduce credit and counterparty risks.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

FUTURE PROSPECTS AND RISKS (CONTINUED)

- **Insurance** - While Abacus carries property insurance, there are types of losses (such as against floods and earthquakes) that are generally not insured at full replacement cost or that are insured subject to larger deductibles or insurance may not be able to be obtained. Additionally, Abacus will face risks associated with the financial strength of its insurers to meet their indemnity obligations when called upon which could lead to an adverse effect on earnings.

Abacus mitigates this risk through the use of insurance brokers to seek to place cover with well rated insurers and ensures that this insurance risk is diversified across various insurers. The diversification of the property portfolio across geographical regions reduces the impact of any potential losses to Abacus.

- **Environmental** - Abacus may from time to time be exposed to a range of environmental risks including those resulting from soil and water contamination, construction, cultural heritage and flora and fauna (e.g. native vegetation). In addition, there is a risk that property owned by or projects undertaken by Abacus from time to time may be contaminated by materials harmful to human health (such as asbestos or other hazardous materials). Also, returns may be adversely impacted by changes to sustainability and environmental requirements and potentially costs associated with the carbon pricing or the introduction of new regulations referable to the property industry.

In these circumstances, Abacus may be required to undertake remedial works on contaminated sites. Additional expenses may result from changes in environmental regulations across the industry. Abacus as part of the property acquisition due diligence engages experts to advise on any potential environmental risks and factors these into the acquisition price of the property. Abacus also constantly monitors for any potential exposure in changes in environmental regulations to manage any costs and impacts associated with these risks.

- **Treasury risk** - Abacus manages its exposure to financial market risks by way of a formal treasury policy encompassing among other things interest rate, funding, liquidity and credit risk management. Risk management is undertaken over multiple timeframes with risk management activity reviewed on a regular basis by our Treasury Management Committee, a formally documented senior management committee.

The overarching treasury policy parameters for interest rate and funding risk management reflect the objective of balancing a desired level of certainty for interest expense against retaining an appropriate level of flexibility to respond to external developments within not only domestic and global financial markets but also the wider domestic and global economies. The Treasury Policy is reviewed on a regular basis by senior management and the Board. This is enhanced by utilising the in-depth market knowledge of Abacus' external independent treasury adviser.

With high levels of uncertainty not only in domestic financial markets but also in the Australasian residential and commercial property sectors and the wider global economy, Abacus has focused its interest rate risk management activity over the last financial year on the near-term, albeit within the overall interest rate risk management hedging requirements of our Treasury Policy. Funding risk management has focused on the timely renegotiation of maturing facilities and where possible seeks to increase the overall maturity profile

DIRECTORS' REPORT

30 JUNE 2015

CONTINUED

OPERATING AND FINANCIAL REVIEW (CONTINUED)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The contributed equity of the Group increased \$110.2 million to \$1,514.0 million compared to \$1,403.8 million as at 30 June 2014 due to equity raisings and securityholder participation in the distribution reinvestment plan.

Total equity increased by \$147.9 million to \$1,438.1 million at 30 June 2015 compared to \$1,290.2 million at 30 June 2014 principally as a result of the performance of the Group.

DISTRIBUTIONS

Abacus' distributions in respect of the year ended 30 June 2015 were \$91.1 million (2014: \$84.5 million), which is equivalent to 17.00 cents per stapled security (2014: 16.75 cents). This distribution includes 8.5 cents (\$47.0 million) that was paid on 14 August 2015. Further details on the distributions, including distributions by the managed funds, are set out in Note 14 of the financial statements.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Other than as disclosed 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 significantly affected, or may affect, the Group's operations in future financial years, the results of those operations or the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group will continue to pursue strategies that seek to improve total securityholder returns during the coming year as described in the operating and financial review section of this report.

NON - AUDIT SERVICES

For amounts relating to non-audit services provided refer to Note 26 to the Financial Statements. The Directors are satisfied that the provision of non-audit services during the year by the auditor, is compatible with the general standard of independence for auditors imposed by the Corporations Act.

DIRECTORS' REPORT

30 JUNE 2015
CONTINUED

DIRECTORS AND SECRETARY

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

John Thame AIBF, FCPA - Chairman (non-executive)

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.

Mr Thame is Chairman of the Due Diligence Committee and a member of the Audit & Risk and Remuneration & Nomination Committees.

Tenure: 12 years (All as Chairman)

Frank Wolf OAM, PhD, BA (Hons) - Managing Director

Dr Wolf has over 25 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 \$5 billion worth of property related transactions, corporate acquisitions and divestments and has financed specialist property-based assets in retirement and hospitality sectors. He is also a director of HGL Limited, a diversified publicly listed investment company.

Tenure: 12 years (8 years as Managing Director)

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

Mr Irving is a Non-Executive Director and has over 40 years' experience in company management, including 12 years as Managing Director of CIBC Australia Limited. He is also a director of O'Connell Street Associates Pty Ltd and Macquarie University Hospital.

Mr Irving is Chairman of the Audit & Risk and Compliance Committees and a member of the Due Diligence Committee.

Tenure: 11 years

William J Bartlett FCA, CPA, FCMA, CA(SA)

Mr Bartlett is a Non-Executive Director. As a partner at Ernst & Young for 23 years, 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 Group Limited, GWA Limited, Reinsurance Group of America Inc and RGA Reinsurance Company of Australia Limited. He is Chairman of the Cerebral Palsy Foundation of Australia.

Mr Bartlett is Chairman of the Remuneration & Nomination Committee and a member of the Due Diligence and Audit & Risk Committee.

Tenure: 8 years

Myra Salkinder MBA, BA

Mrs Salkinder is a Non-Executive Director and is a senior executive of the Kirsh Group. She has been integrally involved over many years with the continued expansion of the Kirsh Group's property and other investments, both in South Africa, Australia and internationally. Mrs Salkinder is a director of various companies associated with the Kirsh Group worldwide.

Mrs Salkinder is a member of the Due Diligence and Remuneration & Nomination Committees.

Tenure: 4 years

DIRECTORS' REPORT

30 JUNE 2015

CONTINUED

DIRECTORS AND SECRETARY (CONTINUED)

Peter Spira AM, B Arch

Mr Spira is a Non-Executive Director. He has over 36 years' experience in the Australian real estate sector with Meriton Group, Australia's largest residential apartment developer. He was responsible for Meriton Group's development projects while also leading the Meriton team in researching and developing new construction and remediation systems. Mr Spira was a director of Meriton Group from 2005 until 2015. In 2006 he received the Order of Australia (AM) for services to the development industry. He is a director of Retire Australia.

Mr Spira is a member of the Due Diligence Committee.

Tenure: Director since May 2015

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 ABP Group were as follows:

DIRECTORS	ABP SECURITIES HELD
J Thame	84,590
F Wolf	3,138,144
W Bartlett	33,125
M Irving	46,629

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) of AGHL, AFML (the Responsible Entity of AT and AIT), AGPL, ASFML (the Responsible Entity of ASPT) and ASOL, held during the year and the number of meetings attended by each director were as follows:

	BOARD		AUDIT & RISK COMMITTEE		REMUNERATION & NOMINATION COMMITTEE		COMPLIANCE COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
J Thame	13	13	4	4	4	4		
F Wolf	13	13						
W Bartlett	13	12	4	4	4	4		
M Irving	13	13	4	4			4	4
M Salkinder	13	13			4	4	4	4
P Spira	2	2						

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 the secretary. The terms of this policy prohibit disclosure of the nature of the risks insured or the premium paid.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount) - except for any loss in respect of any matters which are finally determined to have resulted from Ernst & Young's negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the financial year.

DIRECTORS' REPORT

30 JUNE 2015

CONTINUED

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. The Group is a core plus investor, not a builder of new buildings. The Group endeavours to choose sustainable options whenever that is a cost-effective outcome.

AUDITORS INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is shown on page 61.

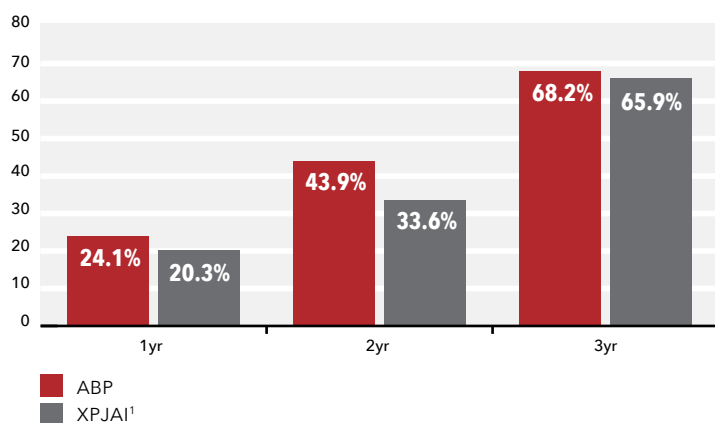
ROUNDING

The amounts contained in this report and in the half-year 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)

The following chart sets the context for the Remuneration Report:

3YR TOTAL SECURITYHOLDER RETURN TO 30 JUNE 2015 (%)



1. XPJAI: S&P/ASX 200 A-REIT Accumulation Index

This Remuneration Report describes Abacus' remuneration arrangements for directors and executives in accordance with the requirements of the Corporations Act and Regulations.

In this report:

- Key Management Personnel are those persons (including the directors) who have authority and responsibility for planning, directing and controlling the major activities of Abacus, including the executives receiving the highest remuneration.
- Executives are the Managing Director and the other senior executives of Abacus.

DETAILS OF KEY MANAGEMENT PERSONNEL (*KMPs*)

(i) *Non-executive Directors*

J. Thame	Chairman
W. Bartlett	Director
M. Irving	Director
M. Salkinder	Director
P. Spira	Director - appointed 27 May 2015

(ii) *Executive Director*

F. Wolf	Managing Director
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(iii) *Executives*

E. Varejes	Chief Operating Officer
C. Aarons	Head of Strategy
R. Baulderstone	Chief Financial Officer
C. Laird	Director Property Ventures
J. L'Estrange	Director Property Ventures
P. Strain	Director Property

REMUNERATION REPORT (AUDITED) (CONTINUED)

Executive total remuneration comprises fixed and variable components. The variable component has both current and deferred elements.

Fixed remuneration reflects market rates, adjusted to reflect the experience and skills of the executive occupying the position. Base salaries paid to executives increased by an average of 3.4 % in the year ended 30 June 2015.

Variable pay reflects a combination of individual and Group performance. Should performance improve, and this improvement be sustained, variable remuneration will increase. Should performance deteriorate, and not be sustained, variable remuneration will decrease. Variable remuneration that is deferred is received as security acquisition rights with value dependent on the Abacus security price. This portion of remuneration vests over four years and is subject to forfeiture if results are not sustained at an acceptable level, or in the event of misconduct, financial misstatement, or termination with cause.

Variable remuneration is payable only if the underlying profit target is met. The target was exceeded in the current year.

The Board retains discretion to vary remuneration from policy if appropriate.

Non-executive director fees are set with reference to market standards, to attract and retain Board members with an appropriate combination of industry and specialist functional knowledge and experience.

Board oversight of remuneration

Remuneration & Nomination Committee

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

The Committee must comprise at least three non-executive directors with a majority of independent members.

The members of the Committee during the year were:

W. Bartlett - Chairman (independent non-executive)

M. Salkinder - (non-executive)

J. Thame - (independent non-executive)

Under its charter the Committee must meet at least twice during a year. The Committee met four times during the year and the attendance records are set out in the Directors' Report. The Committee's charter can be downloaded from the Corporate Governance section of the Abacus website.

To assist the Committee in determining remuneration Abacus subscribes to an independent property salary and remuneration survey recommended to it by EY. Abacus also reviews the published remuneration of the members of the S&P ASX 200 Index and the S&P/ASX 300 A-REIT Index. Where necessary, consultation with Guerdon Associates is sought.

Tax advice on the deferred variable remuneration plan was provided by Minter Ellison.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration structure in detail

Non-executive director remuneration

Objective

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 market rates with the overall objective of attracting and retaining Board members with an appropriate combination of industry and specialist functional knowledge and experience.

Structure

Abacus' constituent documents and the ASX Listing Rules specify that the maximum aggregate remuneration of non-executive directors must be approved by securityholders. The last determination was at the annual general meeting held on 12 November 2010 when securityholders approved an aggregate remuneration limit of \$800,000 per year. (This is a limit on non-executive directors' total fees. The actual fees paid to non-executive directors are in Table 6.)

The aggregate remuneration limit and the fee structure are reviewed annually and fees were last increased in August 2013.

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

BOARD/COMMITTEE	ROLE	FEE
Board	Chairman*	\$211,000
Board	Member	\$85,000
Audit & Risk Committee	Chairman	\$26,000
Audit & Risk Committee	Member	\$10,000
Compliance Committee	Chairman	\$14,000
Compliance Committee	Member	\$10,000
Due Diligence Committee	Chairman	\$15,000
Due Diligence Committee	Member	\$5,000
Remuneration & Nomination Committee	Chairman	\$15,000
Remuneration & Nomination Committee	Member	\$10,000

* The Chairman is an ex-officio member of all Board committees but does not receive any committee membership fees

The non-executive directors do not receive retirement benefits. Nor do they participate in any incentive programs.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Executive remuneration in detail

Objective

The remuneration policy for executives supports the Group's overall objective of producing sustainable earnings and continuing growth in security value. Total remuneration levels are positioned at market median, with higher rewards possible if justified by performance. The policy framework is designed to align the interests of the executives securityholders through the use of variable remuneration linked to an underlying profit gateway and to the Abacus security price over the vesting period for deferred remuneration. Abacus consequently embodies the following principles in its remuneration framework:

- provide sufficient rewards to attract and retain skilled executives who are well qualified and experienced;
- link executive rewards to Abacus' overall performance in the medium term;
- establish performance hurdles for the variable components for each executive so that executives are focussed on achieving sustainable earnings performance over time; and
- encourage entrepreneurship without taking excessive risk or otherwise jeopardising the sustainability of distributions to securityholders.

Structure

In determining the level and make-up of executive remuneration, the Remuneration & Nomination Committee received advice from its external consultants, Guerdon Associates. (No remuneration recommendations as defined under Division 1, Part 1.2.98 (1) of the Corporations Act were made by Guerdon Associates.)

Executive remuneration consists of the following key elements:

- fixed remuneration
- variable remuneration
 - current variable remuneration; and
 - deferred variable remuneration with a claw back feature.

The fixed remuneration component includes base salary, statutory superannuation and non-monetary benefits (car parking and associated fringe benefits tax). Abacus aims to ensure that the split of fixed and variable remuneration for executives is appropriate for the type of business it operates, namely, a cyclical, established business that seeks to provide stable distributions to securityholders. Volatile outcomes are not valued by long-term investors, and therefore remuneration is not highly incentive leveraged. The variable remuneration is designed to reward consistency of sustainable distributions and steady improvement to the underlying financial strength of the business. The result is a higher proportion of fixed remuneration for executives compared to other A-REITs and a lower proportion of variable remuneration. The deferred variable remuneration element recognises that long-term value is the product of a string of sustained short-term outcomes and seeks to discourage volatile earnings and distributions. Reward is accordingly contingent on both current performance and the maintenance of that performance in succeeding years. The two are not considered independent, and the reward structure intentionally does not allow for separate short term and long term measures. This strategy better reflects the Board's view of the group's positioning in the A-REIT industry.

The Board considers it appropriate that:

- (a) executives have a reasonable and motivating portion of their total remuneration that is variable linking it to the performance of the business and their own contributions to that performance; and
- (b) the proportion of fixed to potential maximum variable pay (the remuneration ratio) is in the ratio of approximately 60:40 with the variable component generally allocated as to half to current variable remuneration and half to deferred variable remuneration. There are exceptions for outstanding personal achievement.

These arrangements apply only to those executives who are invited to participate in the Abacus deferred variable remuneration plan. Participation is limited to those executives whose positions have the potential to affect the medium to long-term value of the group.

REMUNERATION REPORT (AUDITED) (CONTINUED)

STRUCTURE (CONTINUED)

Abacus has an overarching investment strategy ensuring that at least 70% of its balance sheet exposure is to directly held core plus property to provide a sustainable recurring income stream. The balance is focused on active real estate positions. This is intended to provide investors with stable returns derived primarily from sound rental income and improvement of asset values results from diligent asset management of core plus assets with upside potential from active positions.

The variable remuneration plan design is directed to rewarding activities that are in the medium to long-term interests of securityholders. The variable remuneration strategy is designed to drive sustainable and growing underlying profit. Consequently a current variable remuneration award for a financial year will generally be matched with an equal deferred variable remuneration award for the next financial year (reflecting the same short and medium term goals). The Board nevertheless retains the discretion whether or not to make deferred remuneration grants and to vary the amount of the deferred remuneration grants it makes.

The primary purpose of the plan is to give the best performers an incentive to stay with the group, to encourage them to extend and sustain their performance and to reduce risk taking associated with short-term performance payments.

The table below sets out the structure of the Abacus executive remuneration arrangements:

REMUNERATION COMPONENT	METHOD	PURPOSE	LINK TO PERFORMANCE
Fixed remuneration	Paid mainly as cash salary - comprises base salary, superannuation contributions and other benefits.	Set with reference to role, market, experience and skill-set.	No direct link to performance. Periodic increases are linked to market movements, changes in roles and responsibilities, and incumbent experience.
Current variable component	Paid in cash in September.	To drive achievement of underlying profit target as set by the Board.	Underlying profit is a key financial gateway for a current variable award. Individual performance is then tested against KPIs, key effectiveness indicators and other internal financial and performance measures.
Deferred variable component	Awards are made in the form of security acquisition rights.	To reward executives for achieving sustainable underlying profit growth over the short to medium term and to reduce excessive risk taking associated with short term performance assessment models.	Directly linked to the increase in the Abacus security price over the vesting period, and the maintenance of distributions. Claw back of prior grants is considered if performance is not sustained.

Fixed Remuneration

Objective

Fixed executive remuneration is reviewed annually by the Remuneration & Nomination Committee. The process consists of a review of group, business unit and individual performance and capacity to pay, 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 each executive's position, performance and experience. In order to attract and retain executives with appropriate expertise and experience Abacus aims to set a fair base salary. In determining fixed remuneration the Company considers independent benchmarking information for the property industry as well as data from the stock market (general listed industry companies of comparable size and, within that, A-REITs of comparable size) to determine an appropriate market-competitive level of pay.

Base salaries paid to executives increased by an average of 3.4% in the year ended 30 June 2015.

The fixed remuneration component of the Managing Director and other key management personnel is detailed in Table 6.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Variable Remuneration – current variable remuneration

Objective

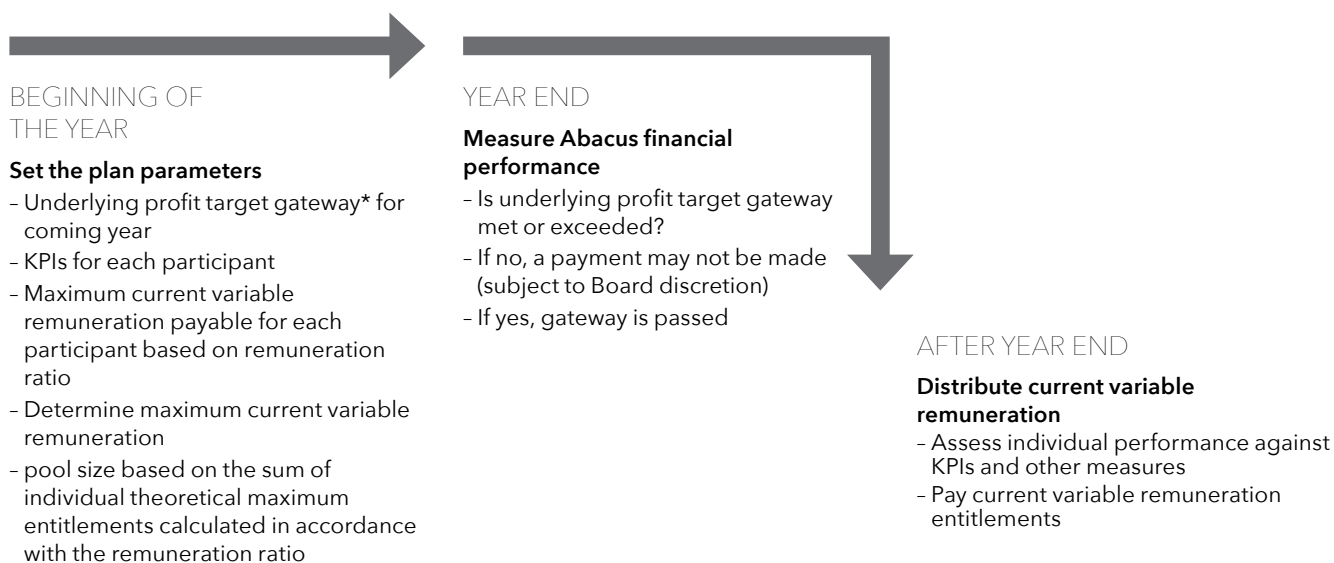
The objective of the current variable remuneration plan is to link the achievement of Abacus' operational targets to the remuneration received by the executives charged with meeting those targets.

Structure

The current variable remuneration plan is designed to link financial rewards to performance consistency, and steady improvement of the underlying financial strength of the business:

- Current variable remuneration pool – available for current variable remuneration awards – is linked directly to, and contingent on, the achievement of an underlying profit target for the assessment year.
- KPIs – the performance measures that determine individual current variable remuneration rewards represent the contributions to be made by executives to Abacus' financial and operating performance.

Securityholders expect the Board to consider the financial performance of the business when deciding whether or not to pay a current variable remuneration award, and, if an award is to be paid, how much will be paid. The Board has established a process to manage the assessment and payment of current variable remuneration entitlements through KPIs and key effectiveness indicators. The process is as follows:



* 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 security-holder value creation (measured by total security-holder return) and hence the most appropriate measure to determine entitlements to variable remuneration. Based on this analysis the Board has adopted underlying profit as the measure. Underlying profit reflects the statutory profit as adjusted in order to present a figure that reflects the Directors' assessment of the result for the ongoing business activities of Abacus, in accordance with the AICD/Finsia principles for reporting underlying profit

For each relevant year the Board will specify an underlying profit target that operates as a gateway that must be passed if current variable remuneration awards are to be generally payable. The Board retains the discretion, based on its view of the circumstances at the time, to adjust the current variable remuneration pool size.

If the underlying profit target is missed, the Board retains the discretion to make the current variable remuneration pool, or a reduced pool, generally available 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 current variable remuneration awards reflective of the above target performance. Where the financial gateway has not been achieved and the Board determines that no part of the current variable remuneration pool will be generally available, it retains the discretion to pay current variable remuneration awards to selected individuals to reward them for their personal above target performance.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Structure (continued)

An executive will generally not be entitled to be paid their current variable remuneration awards if the relevant executive resigned for any reason or if their employment was terminated with cause.

Key Performance Indicators

When the financial gateway has been passed executives become eligible to receive a current variable remuneration award. However, it is necessary to determine the extent to which KPIs for the financial year are met to quantify each individual's reward. Account is also taken of qualitative indicators of effectiveness, performance and behaviour. KPIs and the extent that they are applied to determine the variable reward are tabulated below.

KEY PERFORMANCE MEASURES	PROPORTION OF CURRENT VARIABLE REMUNERATION AWARD MEASURE APPLIES TO	
	MANAGING DIRECTOR	OTHER EXECUTIVES
Financial measure: - Contribution to Abacus underlying profit - Contribution to sustainability of distribution - Contributions to projects expected to grow security value	60%	20-40% (dependent on role)
Non-financial measures: - Quality of analysis and recommendations - Transaction and project management - Key growth activities - Risk management - Other performance measures focuses on achieving business imperatives	40%	60-80%

These measures were chosen as they represent the key drivers for the short-term success of the business and provide a framework for long term securityholder value.

The Board has the discretion to consider each executive's total contribution to the group in addition to the specific KPIs selected for the relevant year.

The target levels of performance set by the Board are challenging, and payment of 100% of the current variable remuneration award opportunity to an executive requires a high level of consistent performance.

The payment of current variable remuneration awards to executives is subject to a recommendation by the Remuneration and Nomination Committee to, and approval of, the Board. The Committee considers the performance of the executives against their KPIs and other applicable measures and approves the amount, if any, of the current variable remuneration to be paid. For the 2015 financial year current variable remuneration awards of \$1,955,000 have been accrued and will be paid in September 2015.

For the 2014 financial year, current variable remuneration awards of \$1,775,000 accrued and were paid to executives in the 2015 financial year. (Unlike deferred variable remuneration awards, current variable remuneration awards are not subject to forfeiture.) Some executives received more and some less than their current variable remuneration award opportunity for the reporting period.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance and its link to variable remuneration for the Managing Director

The financial measures driving variable remuneration outcomes are underlying profit and sustainable distributions. In addition Abacus has a number of non-financial measures that it uses to determine variable remuneration.

The following table sets out performance of the Managing Director against these targets:

PERFORMANCE MEASURE	FY14 PERFORMANCE AGAINST TARGETS
Financial	
Underlying profit	Above target
Sustainable distribution	At target
Non-financial	
Strategic planning	Above target
Key growth activities	Above target
Risk management	At target
Leadership, team building	Above target

Variable Remuneration – deferred variable remuneration**Objective**

The objective of the deferred variable remuneration plan is to reward executives for sustaining underlying profit that covers the distribution level implicit in the Abacus security price and for the sustainability of distributions over a four year period.

Deferred Security Acquisition Rights Plan

The deferred variable remuneration plan has been designed to align the interests of executives with those of securityholders by providing for a significant portion of the remuneration of participating executives to be linked to the delivery of sustainable underlying profit that covers the distribution level implicit in the Abacus security price.

The deferred security acquisition rights plan (SARs Plan) is a deferred variable remuneration plan under which deferred variable remuneration awards in the form of security acquisition right (SARs) may be awarded in accordance with the remuneration ratio. Key executives may be allocated a deferred variable remuneration award value in any financial year that matches the current variable remuneration award paid. The matching allocations may be adjusted to take into account other factors that the Board considers specifically relevant to the purpose of providing deferred variable remuneration awards. Adjustments may be needed, for example, to take into account an award of a current variable remuneration award above the theoretical maximum, the potential of an executive, or their impending retirement. Adjustments were made in some instances to reflect exceptional individual performances.

The Board has the discretion to award SARs in excess of the cap in the case of exceptional performance.

The deferred variable remuneration grant value allocated to a plan participant for a financial year will be divided by the 10 day volume weighted average price (VWAP) of Abacus Property Group securities (ABP securities) for the period commencing on the second trading day after the full year results announcement for the previous financial year was released to the market (the business day after that 10 day period ends is the allocation date). The quotient will be the number of SARs to be allocated to the relevant executive for that financial year.

The SARs allocated to an executive for a financial year will vest in four equal annual tranches on the first, second, third and fourth anniversaries of the allocation date.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Deferred Security Acquisition Rights Plan (continued)

To receive the deferred remuneration award the executive must remain employed by Abacus, unless they are considered a good leaver (that is, through death, disability, termination without cause, genuine retirement, or some other circumstance considered acceptable or the board in its discretion). All other leavers are considered bad leavers for the purposes of the SARs Plan.

As well the Board has the discretion, if the amount of distributions per ABP security falls by more than a percentage determined by the Board for each respective SARs issue, to forfeit any unvested tranches. For example, if the Board determines at the time of a new allocation of SARs that a sustainable annual distribution rate for the whole vesting period for that allocation of SARs is 17 cents per security then the Board may decide that if that rate falls by more than a specified percentage in respect of any financial year before all of the tranches of SARs in that allocation have vested, the Board may claw back the unvested SARs that formed part of that allocation. The allocation of SARs for the following year may set a higher distribution rate and negative variance buffer, and so on for succeeding years. No forfeitures of SARs for unsustainable performance occurred in the reporting period.

If an executive is not a bad leaver but the Board determines that the executive is responsible for misconduct resulting in material non-compliance with financial reporting requirements or for excessive risk taking, the executive will forfeit all unvested SARs entitlements.

When a tranche of SARs vests the SARs in that tranche will convert into ABP securities on a one for one basis or (exceptionally, subject to the discretion of the Board where an executive already has a significant holding of ABP securities) a cash amount equal to the product derived by multiplying the number of SARs in that tranche by the VWAP of ABP securities over the first 10 trading days after the date the relevant tranche vests.

To achieve a closer alignment of the interests of securityholders and senior executives, when a tranche of SARs vests, the holder will be paid in respect of each SAR vesting an amount (a notional distribution) equivalent to the aggregate of the distributions per ABP security paid during the period from allocation date of the relevant tranche to the vesting date for the relevant tranche plus the amount of any distribution per security declared and unpaid as at the vesting date¹. This entitlement will be satisfied in ABP securities². In that event the number of additional securities will be calculated by dividing the amount of the notional distribution by the VWAP of ABP securities over the first 10 trading days after the date the relevant tranche vests.

Executives will be entitled before any tranche of SARs vests, to extend the vesting date for that tranche by 12 months. This right may be exercised at any time and from time to time in respect of any unvested tranche while the executive's employment continues.

1. If the entitlements on a vesting SAR's is satisfied in ABP securities that are cum distribution then the amount of that unpaid distribution will not be included in the notional distribution.

2. Subject to the Board's discretion to satisfy in cash.

DIRECTORS' REPORT

30 JUNE 2015

CONTINUED

REMUNERATION REPORT (AUDITED) (CONTINUED)

Deferred Security Acquisition Rights Plan (continued)

The table below discloses SARs granted to key management personnel during the 2015 financial year as well as the number of SARs that vested or lapsed during the year. The SAR's will vest in the periods indicated subject to performance and potential claw back.

TABLE 1	YEAR	GRANT DATE	SARS GRANTED	FAIR VALUE PER RIGHT AT GRANT DATE	VESTING DATE	NO. VESTED DURING THE YEAR	NO. LAPSED DURING THE YEAR
Director							
F Wolf	2015	21/11/2014	218,260	\$2.476	13/09/2015 to 2018	-	-
	2014	29/11/2013			13/09/14	69,352	-
	2013	15/05/2013			13/09/13	53,105	-
Executives							
E Varejes	2015	21/11/2014	65,476	\$2.476	13/09/2015 to 2018	-	-
	2014	29/11/2013			13/09/14	16,644	-
	2013	15/05/2013			13/09/13	21,242	-
C Aarons	2015	21/11/2014	36,376	\$2.476	13/09/2015 to 2018	-	-
	2014	29/11/2013			13/09/14	11,096	-
	2013	15/05/2013			13/09/13	16,340	-
R Baulderstone	2015	21/11/2014	58,200	\$2.476	13/09/2015 to 2018	-	-
	2014	29/11/2013			13/09/14	16,644	-
	2013	15/05/2013			13/09/13	16,340	-
J L'Estrange	2015	21/11/2014	40,012	\$2.476	13/09/2015 to 2018	-	-
	2014	29/11/2013			13/09/14	12,206	-
	2013	15/05/2013			13/09/13	18,730	-
C Laird	2015	21/11/2014	72,752	\$2.476	13/09/2015 to 2018	-	-
	2014	29/11/2013			13/09/14	16,644	-
	2013	15/05/2013			13/09/13	17,913	-
P Strain	2015	21/11/2014	58,200	\$2.476	13/09/2015 to 2018	-	-
	2014	29/11/2013			13/09/14	16,644	-
	2013	15/05/2013			13/09/13	16,340	-

The value of SARs granted, exercised and lapsed during the year:

TABLE 2	VALUE OF SARS GRANTED DURING THE YEAR \$	VALUE OF SARS EXERCISED DURING THE YEAR \$	VALUE OF SARS LAPSED DURING THE YEAR \$
F Wolf	540,412	349,757	-
E Varejes	162,119	109,123	-
C Aarons	90,067	79,206	-
R Baulderstone	144,103	94,594	-
J L'Estrange	99,070	89,366	-
C Laird	180,134	99,255	-
P Strain	144,103	94,594	-

Refer to Note 22 for details on the valuation the SARs, including models and assumptions used.

There were no alterations to the terms and conditions of the SARs since their grant date.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Deferred Security Acquisition Rights Plan (continued)

Securities acquired on exercise of options:

TABLE 3	SECURITIES ACQUIRED NO.	PAID PER SECURITY \$
F Wolf	133,803	2.61
E Varejes	41,746	2.61
C Aarons	30,301	2.61
R Baulderstone	36,188	2.61
J L'Estrange	34,188	2.61
C Laird	37,971	2.61
P Strain	36,188	2.61

The number of securities acquired is based on the SARs that vested in the year and the distributions that would have been paid on that number of securities from the grant date to the allocation date.

SARs holdings of key management personnel:

TABLE 4	BALANCE 1 JULY 2014	GRANTED AS REMUNERATION	SARS EXERCISED	BALANCE 30 JUNE 2015	VESTED 30 JUNE 2015
Director					
F Wolf	436,723	218,260	(122,457)	532,526	-
Executives					
E Varejes	130,302	65,476	(37,886)	157,892	-
C Aarons	93,404	36,376	(27,436)	102,344	-
R Baulderstone	115,596	58,200	(32,984)	140,812	-
J L'Estrange	105,014	40,012	(30,936)	114,090	-
C Laird	120,315	72,752	(34,557)	158,510	-
P Strain	115,596	58,200	(32,984)	140,812	-
Total	1,116,950	549,276	(319,240)	1,346,986	-

REMUNERATION REPORT (AUDITED) (CONTINUED)

Link between remuneration policy and Abacus' performance

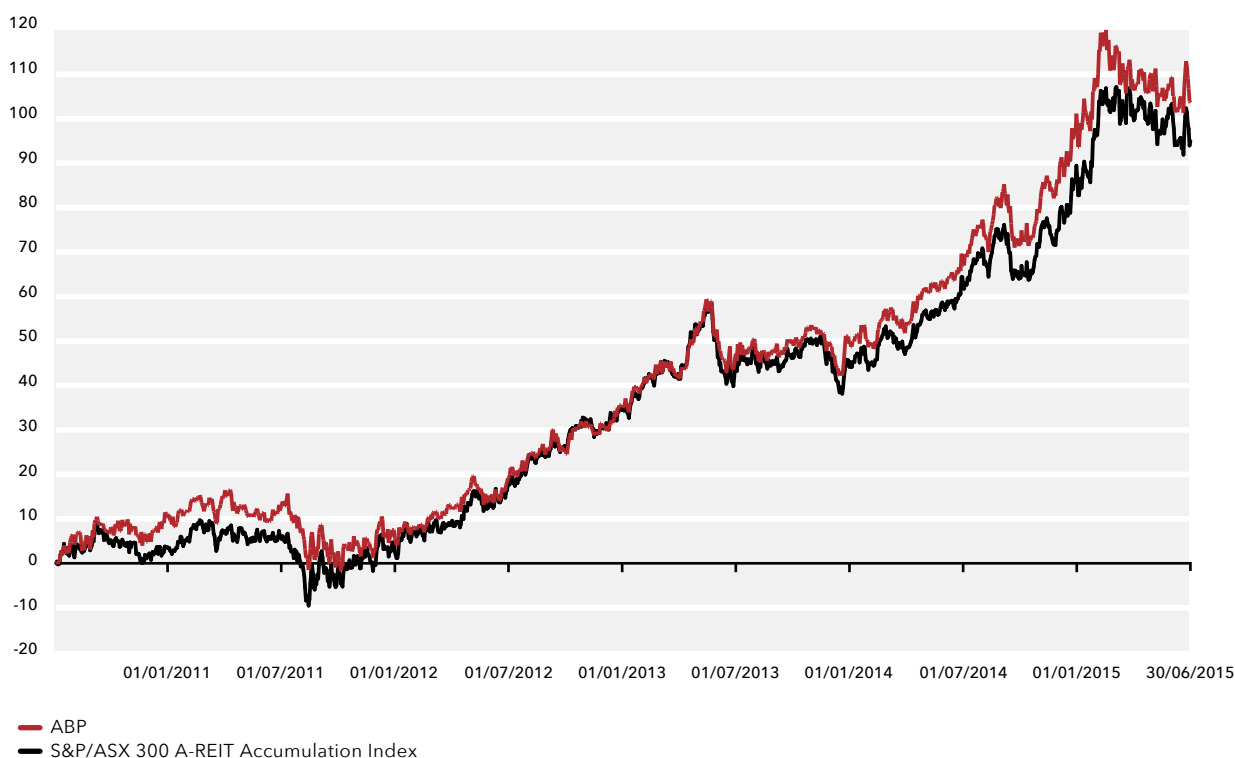
Abacus' performance is compared with its peers in the S&P/ASX 300 A-REIT index. This peer group reflects Abacus' competitors for capital transactions and management expertise. As previously discussed, KMPs and other selected executives are eligible to receive current variable remuneration and a deferred variable remuneration. Both are risk-related components of total remuneration as payment entitlements are dependent on performance. The group's objective is for remuneration policy to encourage business strategy and implementation that achieves growth in total securityholder returns and favourable peer comparison.

The variable remuneration strategy is designed to drive sustainable and growing underlying profit that covers the distribution level implicit in the Abacus security price.

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

ABP AND S&P/ASX 300 A-REIT ACCUMULATION INDEX TOTAL RETURN (%)

Since 1 July 2010



Abacus' performance for the past five years is as follows:

	2011	2012	2013	2014	2015
Underlying earnings per security (cents)*	19.38	19.17	18.76	20.83	24.47
Distributions paid and proposed (cents)	16.50	16.50	16.50	16.75	17.00
Closing security price (30 June)	\$2.31	\$2.04	\$2.27	\$2.50	\$2.92
Net tangible assets per security**	\$2.51	\$2.34	\$2.32	\$2.38	\$2.49
Weighted average securities on issue	372.3m	400.9m	446.4m	486.1m	524.4m

* Underlying earnings are unaudited

** Net tangible assets per security include the impact of the fair value movements

REMUNERATION REPORT (AUDITED) (CONTINUED)

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 contract:

- Dr Wolf receives a base salary that is reviewed annually;
- he is eligible to participate in the deferred variable income plans that are made available and to receive current variable remuneration payments;
- Dr Wolf may resign from his position and thus terminate this contract by giving 6 months written notice; and
- Abacus 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

The other executives are employed on an ongoing basis under letter agreements until (generally) one month's notice is given by either party. Abacus 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. Deferred variable remuneration allocations vest according to the SARs plan rules.

Securityholdings of key management personnel

TABLE 5	BALANCE 1 JULY 2014	VESTING OF SARs	PURCHASES/ (SALES)	BALANCE 30 JUNE 2015
Directors				
J Thame	75,276	-	9,314	84,590
F Wolf	2,914,341	133,803	90,000	3,138,144
W Bartlett	29,444	-	3,681	33,125
M Irving	40,472	-	6,157	46,629
Executives				
E Varejes	98,200	41,746	(24,747)	115,199
C Aarons	57,691	30,301	4,191	92,183
R Baulderstone	26,224	36,188	5,202	67,614
J L'Estrange	20,831	34,188	2,318	57,337
C Laird	19,215	37,971	3,500	60,686
P Strain	66,081	36,188	5,249	107,518
Total	3,347,775	350,385	104,865	3,803,025

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

Loans to key management personnel

There no loans to key management personnel and their related parties at any time in 2015 or in the prior year.

Other transactions with key management personnel

During the year, transactions occurred between the Group and key management personnel on terms and conditions no more favourable than those entered into by unrelated customers.

Table 6: Remuneration of Key Management Personnel

2015	SHORT-TERM BENEFITS			POST EMPLOYMENT SUPERANNUATION \$	LONG-TERM BENEFITS \$	SECURITY-BASED PAYMENT \$	TOTAL	PERFORMANCE RELATED %	SARS RELATED %
	SALARY & FEES \$	CURRENT VARIABLE INCENTIVE \$	NON-MONETARY BENEFITS \$						
Non-executive directors									
J Thame – Chairman	192,217	-	-	18,783	-	-	211,000	-	-
W Bartlett	105,023	-	-	9,977	-	-	115,000	-	-
M Irving	127,854	-	-	12,146	-	-	140,000	-	-
M Salkinder	100,457	-	-	9,543	-	-	110,000	-	-
P Spira#	7,828	-	-	744	-	-	8,572	-	-
Sub-total non-executive directors	533,379	-	-	51,193	-	-	584,572		
Executive Directors									
F Wolf – Managing Director	1,311,074	800,000	6,036	28,926	29,863	466,121	2,642,020	48	18
Other key management personnel									
E Varejes – Chief Operating Officer	504,001	160,000	6,036	30,999	10,612	135,436	847,084	35	16
C Aarons – Head of Strategy	377,000	110,000	6,036	35,000	7,718	86,896	622,650	32	14
R Baulderstone – Chief Financial Officer	445,000	175,000	-	35,000	11,202	122,086	788,288	38	15
C Laird – Director Property Ventures	461,217	400,000	6,036	18,783	9,874	137,215	1,033,125	52	13
J LEstrange – Director Property Ventures	430,000	110,000	6,036	35,000	6,812	96,648	684,496	30	14
P Strain – Director Property	445,000	200,000	6,036	35,000	11,824	122,086	819,946	39	15
Sub-total executive KMP	3,973,292	1,955,000	36,216	218,708	87,905	1,166,488	7,437,609		
Total	4,506,671	1,955,000	36,216	269,901	87,905	1,166,488	8,022,181		

*Accrued but not presently entitled

Appointed 27 May 2015

Mr Lloyd does not meet the definition of a key management person in 2015

Table 6: Remuneration of Key Management Personnel

2014	SALARY & FEES \$	SHORT-TERM BENEFITS			POST EMPLOYMENT SUPERANNUATION \$	LONG-TERM BENEFITS LONG SERVICE LEAVE* \$	SECURITY-BASED PAYMENT SECURITY ACQUISITION RIGHTS (SARS)* \$	TOTAL \$	PERFORMANCE RELATED %	SARS RELATED %
		CURRENT VARIABLE INCENTIVE \$	NON-MONETARY BENEFITS \$	TOTAL CASH PAYMENTS AND SHORT-TERM BENEFITS \$						
Non-executive directors										
J Thame - Chairman	192,378	-	-	192,378	17,704	-	-	210,082	-	-
W Bartlett	104,271	-	-	104,271	9,645	-	-	113,916	-	-
M Irving	127,612	-	-	127,612	11,804	-	-	139,416	-	-
M Salkinder	99,542	-	-	99,542	9,207	-	-	108,749	-	-
Sub-total non-executive directors	523,803	-	-	523,803	48,360	-	-	572,163		
Executive Directors										
F Wolf - Managing Director	1,270,927	750,000	5,135	2,026,062	29,073	21,236	334,635	2,411,006	45	14
Other key management personnel										
E Varejes - Chief Operating Officer	485,000	180,000	5,135	670,135	35,000	8,247	102,495	815,877	35	13
C Aarons - Head of Strategy	375,000	100,000	5,135	480,135	25,000	6,285	74,018	585,438	30	13
R Baulderstone - Chief Financial Officer	425,000	175,000	-	600,000	35,000	15,370	89,697	740,067	36	12
C Laird - Director Property Ventures	440,725	200,000	5,135	645,860	17,775	9,069	93,803	766,507	38	12
J LEstrange - Director Property Ventures	433,500	110,000	5,135	548,635	25,000	6,753	83,395	663,783	29	13
L Lloyd - Managing Director, Property Services	288,559	100,000	-	388,559	35,000	4,593	39,995	468,147	30	9
P Strain - Director Property	433,500	160,000	5,135	598,635	25,000	10,987	89,697	724,319	34	12
Sub-total executive KMP	4,152,211	1,775,000	30,810	5,958,021	226,848	82,540	907,735	7,175,144		
Total	4,676,014	1,775,000	30,810	6,481,824	275,208	82,540	907,735	7,747,307		

*Accrued but not presently entitled

DIRECTORS' REPORT

30 JUNE 2015
CONTINUED

Signed in accordance with a resolution of the directors.

Abacus Group Holdings Limited (ABN 31 080 604 619)



John Thame
Chairman

Sydney, 21 August 2015



Frank Wolf
Managing Director



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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 2015, 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

Kathy Parsons
Partner
21 August 2015



THE

NATIONAL

MUSEUM OF AUSTRALIA

COUNTRY ROAD

180

THE NATIONAL MUSEUM OF AUSTRALIA
180 MILLERS POINT
SYDNEY



ONAL
SIA LIMITED

BANK

COMMERCIAL

FINANCIALS

safe deposit
centre

nab

182

COUNTRY ROAD &



CONSOLIDATED INCOME STATEMENT

YEAR ENDED 30 JUNE 2015

	NOTES	2015 \$'000	2014 \$'000
REVENUE			
Rental income		91,178	107,336
Storage income		55,100	49,658
Hotel income		50,072	52,633
Finance income	1(a)	27,038	19,606
Funds management income		3,588	2,607
Sale of inventory		60,787	138,584
Total Revenue		287,763	370,424
OTHER INCOME			
Net change in fair value of investment properties derecognised		32,688	12,335
Net change in fair value of financial instruments derecognised		1,671	2,814
Net change in fair value of investment properties and property, plant and equipment held at balance date		22,282	24,528
Net change in fair value of investments held at balance date	1(b)	1,608	2,068
Share of profit from equity accounted investments	8(a)	29,883	12,525
Total Revenue and Other Income		375,895	424,694
Property expenses and outgoings		(19,590)	(20,158)
Storage expenses		(21,043)	(18,208)
Hotel expenses		(39,450)	(41,098)
Depreciation, amortisation and impairment expense	3(a)	(6,162)	(8,912)
Cost of inventory sales		(56,552)	(124,252)
Net loss on sale of property, plant and equipment		(1,547)	-
Net change in fair value of derivatives		(9,851)	(14,533)
Impairment of inventory		(9,620)	-
Finance costs	3(b)	(41,757)	(50,930)
Administrative and other expenses	3(c)	(30,460)	(24,526)
PROFIT BEFORE TAX		139,863	122,077
Income tax expense	4(a)	(6,644)	(14,710)
NET PROFIT AFTER TAX		133,219	107,367
PROFIT ATTRIBUTABLE TO:			
Equity holders of the parent entity (AGHL)		6,027	21,457
<i>Equity holders of other stapled entities</i>			
AT members		84,972	56,007
AGPL members		6,039	10,078
AIT members		3,317	4,307
ASPT members		1,358	(11,385)
ASOL members		31,785	27,809
Stapled security holders		133,498	108,273
Net profit attributable to external non-controlling interests		(279)	(906)
NET PROFIT		133,219	107,367
Basic and diluted earnings per stapled security (cents)	2	25.46	22.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2015

	2015 \$'000	2014 \$'000
NET PROFIT AFTER TAX	133,219	107,367
OTHER COMPREHENSIVE INCOME		
<i>Items that will not be reclassified subsequently to the income statement</i>		
Revaluation of assets, net of tax	350	(63)
<i>Items that may be reclassified subsequently to the income statement</i>		
Foreign exchange translation adjustments, net of tax	(3,490)	3,944
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	130,079	111,248
Total comprehensive income attributable to:		
Members of the APG Group	130,893	111,532
External non-controlling interests	(814)	(284)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	130,079	111,248
Total comprehensive income / (loss) attributable to members of the Group analysed by amounts attributable to:		
AGHL members	5,093	22,403
AT members	84,972	56,007
AGPL members	6,039	10,078
AIT members	3,317	4,307
ASPT members	(144)	(9,155)
ASOL members	31,616	27,892
TOTAL COMPREHENSIVE INCOME AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE GROUP	130,893	111,532

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	NOTES	2015 \$'000	2014 \$'000
CURRENT ASSETS			
Investment properties held for sale	5	51,047	186,543
Inventory	6(a)	7,464	14,182
Property loans	7(a)	25	4,939
Cash and cash equivalents	9	38,388	61,653
Property, plant and equipment	17	3,080	2,700
Trade and other receivables	18	11,680	21,165
Derivatives at fair value		263	247
Other		2,742	3,407
TOTAL CURRENT ASSETS		114,689	294,836
NON-CURRENT ASSETS			
Investment properties	5	1,317,101	1,158,951
Inventory	6(b)	112,689	85,020
Property loans	7(b)	263,008	184,415
Equity accounted investments	8	137,227	125,432
Deferred tax assets	4(c)	6,658	5,480
Property, plant and equipment	17	118,019	154,383
Other financial assets	7(c)	34,595	30,473
Trade and other receivables		-	7,085
Intangible assets and goodwill	24	33,261	33,261
TOTAL NON-CURRENT ASSETS		2,022,558	1,784,500
TOTAL ASSETS		2,137,247	2,079,336
CURRENT LIABILITIES			
Trade and other payables		29,812	21,527
Interest-bearing loans and borrowings	11(a)	-	16,667
Income tax payable		3,329	6,357
Other financial liabilities	23	25	1,136
Other		9,057	7,335
TOTAL CURRENT LIABILITIES		42,223	53,022
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	11(b)	544,045	620,247
Derivatives at fair value		51,125	57,602
Deferred tax liabilities	4(c)	10,490	10,323
Other financial liabilities	23	45,940	45,983
Other		5,296	1,969
TOTAL NON-CURRENT LIABILITIES		656,896	736,124
TOTAL LIABILITIES		699,119	789,146
NET ASSETS		1,438,128	1,290,190
TOTAL EQUITY		1,438,128	1,290,190

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2015

	NOTES	2015 \$'000	2014 \$'000
Equity attributable to members of AGHL:			
Contributed equity		330,029	304,410
Reserves		7,870	8,433
Accumulated losses		(16,502)	(22,528)
Total equity attributable to members of AGHL:		321,397	290,315
Equity attributable to unitholders of AT:			
Contributed equity		899,670	840,236
Accumulated losses		(128,683)	(139,036)
Total equity attributable to unitholders of AT:		770,987	701,200
Equity attributable to members of AGPL:			
Contributed equity		25,649	23,431
Retained earnings / (accumulated losses)		3,979	(2,060)
Total equity attributable to members of AGPL:		29,628	21,371
Equity attributable to unitholders of AIT:			
Contributed equity		125,682	116,575
Accumulated losses		(56,970)	(49,992)
Total equity attributable to unitholders of AIT:		68,712	66,583
Equity attributable to members of ASPT:			
Contributed equity		114,369	103,092
Reserves		(293)	1,209
Accumulated losses		(17,322)	(15,822)
Total equity attributable to members of ASPT:		96,754	88,479
Equity attributable to members of ASOL:			
Contributed equity		18,616	16,012
Reserves		(5)	164
Retained earnings		101,060	69,275
Total equity attributable to members of ASOL:		119,671	85,451
Equity attributable to external non-controlling interest:			
Contributed equity		65,543	73,668
Reserves		139	674
Accumulated losses		(34,703)	(37,551)
Total equity attributable to external non-controlling interest:		30,979	36,791
TOTAL EQUITY		1,438,128	1,290,190
Contributed equity	13	1,514,015	1,403,756
Reserves		7,572	9,806
Accumulated losses		(114,438)	(160,163)
Total stapled security holders' interest in equity		1,407,149	1,253,399
Total external non-controlling interest		30,979	36,791
TOTAL EQUITY		1,438,128	1,290,190

CONSOLIDATED STATEMENT OF CASH FLOW

YEAR ENDED 30 JUNE 2015

	NOTES	2015 \$'000	2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Income receipts		327,734	353,192
Interest received		2,502	3,009
Distributions received		1,059	1,207
Income tax paid		(11,122)	(2,754)
Finance costs paid		(41,141)	(50,214)
Operating payments		(120,040)	(124,831)
Payments for land acquisitions		(39,660)	(59,022)
NET CASH FLOWS FROM OPERATING ACTIVITIES	9	119,332	120,587
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments and funds advanced		(140,373)	(96,906)
Proceeds from sale and settlement of investments and funds repaid		58,934	3,955
Purchase of property, plant and equipment		(3,640)	(6,764)
Disposal of property, plant and equipment		32,699	-
Purchase of investment properties		(210,821)	(110,173)
Disposal of investment properties		235,293	232,035
Payment for other investments		(3,270)	(417)
NET CASH FLOWS (USED IN) / FROM INVESTING ACTIVITIES		(31,178)	21,730
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of stapled securities		107,569	95,968
Return of capital		(585)	(4,339)
Payment of issue / finance costs		(2,985)	(4,065)
Repayment of borrowings		(238,150)	(305,595)
Proceeds from borrowings		115,892	138,005
Distributions paid		(93,005)	(45,923)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(111,264)	(125,949)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS			
Net foreign exchange differences		(155)	463
Cash and cash equivalents at beginning of year		61,653	44,822
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	38,388	61,653

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2015

CONSOLIDATED	ATTRIBUTABLE TO THE STAPLED SECURITY HOLDER					EXTERNAL	TOTAL EQUITY \$'000
	ISSUED CAPITAL \$'000	ASSET REVALUATION RESERVE \$'000	FOREIGN CURRENCY TRANSLATION \$'000	EMPLOYEE EQUITY BENEFITS \$'000	RETAINED EARNINGS \$'000	NON- CONTROLLING INTEREST \$'000	
At 1 July 2014	1,403,756	-	2,517	7,289	(160,163)	36,791	1,290,190
Other comprehensive income	-	211	(2,815)	-	-	(536)	(3,140)
Net income for the year	-	-	-	-	133,498	(279)	133,219
Total comprehensive income for the year	-	211	(2,815)	-	133,498	(815)	130,079
Equity raisings	107,570	-	-	-	-	-	107,570
Return of capital	-	-	-	-	-	(585)	(585)
Issue costs	(701)	-	-	-	-	-	(701)
Distribution reinvestment plan	3,390	-	-	-	-	-	3,390
Security acquisition rights	-	-	-	370	-	-	370
Distribution to security holders	-	-	-	-	(87,773)	(4,412)	(92,185)
At 30 June 2015	1,514,015	211	(298)	7,659	(114,438)	30,979	1,438,128

CONSOLIDATED	ATTRIBUTABLE TO THE STAPLED SECURITY HOLDER					EXTERNAL	TOTAL EQUITY \$'000
	ISSUED CAPITAL \$'000	ASSET REVALUATION RESERVE \$'000	FOREIGN CURRENCY TRANSLATION \$'000	EMPLOYEE EQUITY BENEFITS \$'000	RETAINED EARNINGS \$'000	NON- CONTROLLING INTEREST \$'000	
At 1 July 2013	1,268,381	39	(778)	6,616	(190,223)	43,785	1,127,820
Other comprehensive income	-	(39)	3,295	-	-	625	3,881
Net income for the year	-	-	-	-	108,273	(906)	107,367
Total comprehensive income for the year	-	(39)	3,295	-	108,273	(281)	111,248
Equity raisings	95,968	-	-	-	-	-	95,968
Return of capital	-	-	-	-	-	(4,339)	(4,339)
Issue costs	(820)	-	-	-	-	-	(820)
Distribution reinvestment plan	40,227	-	-	-	-	-	40,227
Security acquisition rights	-	-	-	673	-	-	673
Distribution to security holders	-	-	-	-	(78,213)	(2,374)	(80,587)
At 30 June 2014	1,403,756	-	2,517	7,289	(160,163)	36,791	1,290,190

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30 JUNE 2015

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	2. Earnings per stapled security	6. Inventory	10. Capital management	16. Parent entity information	18. Trade and other receivables
	3. Expenses	7. Property loans and other financial assets	11. Interest bearing loans and borrowings		19. Commitments and contingencies
	4. Income tax	8. Investments accounted for using the equity method	12. Financial instruments		20. Related party disclosures
			13. Contributed equity		21. Key management personnel
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					23. Other financial liabilities
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NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

ABOUT THIS REPORT

Abacus Property Group ("APG" or the "Group") is comprised of Abacus Group Holdings Limited ("AGHL") (the nominated parent entity), Abacus Trust ("AT"), Abacus Group Projects Limited ("AGPL"), Abacus Income Trust ("AIT"), Abacus Storage Property Trust ("ASPT") and Abacus Storage Operations Limited ("ASOL"). Shares in AGHL, AGPL and ASOL and units in AT, AIT and ASPT 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 2015 was authorised for issue in accordance with a resolution of the directors on 21 August 2015.

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

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, 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 judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(a) Significant accounting judgements

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

A financial asset or financial liability is designated by the entity as being at fair value through profit or loss upon initial recognition. The Group 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 the Group'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

In determining whether the Group has control over an entity, the Group assesses its exposure or rights to variable returns from its involvement with the entity and whether it has the ability to affect those returns through its power over the investee. The Group may have significant influence over an entity when it has the power to participate in the financial and operating policy decisions of the entity but is not in control or joint control of those policies.

(b) 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. The assumptions used in the estimations of the recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 24.

Impairment of property loans and financial assets

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

CONTINUED

ABOUT THIS REPORT (CONTINUED)

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 and property, plant and equipment held at fair value

The Group makes judgements in respect of the fair value of investment properties (Note 25(o)). The fair value of these properties are reviewed regularly by management with reference to 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 and discount rates that reflect current market conditions and current or 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.

Net realisable value of inventory

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions that require the use of management judgment are reviewed half-yearly and these assumptions include the number of lots sold per year and the average selling price per lot. If the net realisable value is less than the carrying value of inventory, an impairment loss is recognised in the income statement.

Fair value of financial assets

The Group holds investments in unlisted securities and 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 \$31 million (2014: \$30.5 million).

NOTES TO THE FINANCIAL STATEMENTS

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SEGMENT INFORMATION

The Group predominately operates in Australia. Following are the Group's operating segments, which are regularly reviewed by the Chief Operating Decision Maker ("CODM") 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 entities not engaged in development and construction projects;
- (b) Funds Management: the segment includes development, origination, co-investment and fund management revenues and expenses in addition to discharging the Group's responsible entity obligation;
- (c) Property Ventures: provides secured lending and related property financing solutions and is also responsible for the Group's investment in joint venture developments and construction projects, which includes revenue from debt and equity investments in joint ventures. This segment is also responsible for the Group's investment in property securities; and
- (d) Storage: the segment is responsible for the investment in, and ownership of, self-storage facilities.

Segment result includes transactions between operating segments which are then eliminated.

The Group has consolidated the Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust (up until 30 June 2014) and Abacus Wodonga Land Fund. The performances of these entities which are operated as externally managed investment schemes are considered to be non-core segments and are reviewed separately to that of the performance of the Group's business segments.

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30 JUNE 2015
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SEGMENT INFORMATION (CONTINUED)

YEAR ENDED 30 JUNE 2015	CORE SEGMENTS						NON CORE SEGMENTS				UNALLOCATED/ ELIMINATIONS \$'000	CONSOLIDATED \$'000	
	PROPERTY \$'000	STORAGE \$'000	FUNDS MANAGEMENT \$'000	PROPERTY VENTURES \$'000	TOTAL CORE SEGMENTS \$'000	AHF \$'000	ADIFI \$'000	AWLF \$'000					
Revenue													
Rental income	73,122	-	-	-	73,122	1,132	16,885	39	-	91,178			
Storage income	-	55,100	-	-	55,100	-	-	-	-	55,100			
Hotel income	1,853	-	-	-	1,853	48,219	-	-	-	50,072			
Finance income	-	-	-	26,243	26,243	-	-	4	-	26,247			
Funds management income	-	-	10,353	-	10,353	-	-	-	(6,765)	3,588			
Sale of inventory	9,724	-	-	29,254	38,978	-	-	21,809	-	60,787			
Net change in fair value of investment properties derecognised	27,576	-	-	-	27,576	-	5,112	-	-	32,688			
Net change in fair value of financial instruments derecognised	3,116	-	-	(2)	3,114	(1,589)	-	146	-	1,671			
Net change in investment properties and property, plant and equipment held at balance date	10,188	19,242	-	-	29,430	(74)	(8,554)	-	1,480	22,282			
Net change in fair value of investments held at balance date	-	-	-	1,323	1,323	-	-	-	285	1,608			
Share of profit from equity accounted investments ^a	23,668	-	405	6,215	30,288	-	-	-	(405)	29,883			
Other unallocated revenue	-	-	-	-	590	141	36	24	-	791			
Total consolidated revenue	149,247	74,342	10,758	63,033	297,970	47,829	13,479	22,022	(5,405)	375,895			
Property expenses and outgoings	(15,075)	-	-	-	(15,075)	(206)	(3,278)	(298)	552	(18,305)			
Storage expenses	-	(21,043)	-	-	(21,043)	-	-	-	-	(21,043)			
Hotel expenses	(1,913)	-	-	-	(1,913)	(37,537)	-	-	-	(39,450)			
Depreciation and amortisation expense	(1,811)	-	-	(353)	(2,164)	(3,727)	(269)	(2)	-	(6,162)			
Cost of inventory sales	(6,803)	-	-	(27,740)	(34,543)	-	-	(22,009)	-	(56,552)			
Net loss on sale of property, plant and equipment	-	-	-	-	-	(1,547)	-	-	-	(1,547)			
Impairment charges	(1,285)	-	-	(3,647)	(4,932)	-	-	(7,500)	-	(12,432)			
Administrative and other expenses	(10,286)	(5,714)	(2,286)	(4,570)	(22,856)	(1,403)	(625)	(114)	(3,935)	(28,933)			
Segment result	112,074	47,585	8,472	26,723	195,444	3,409	9,307	(7,901)	(8,788)	191,471			

^a includes fair value loss of \$0.9 million

NOTES TO THE FINANCIAL STATEMENTS
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SEGMENT INFORMATION (CONTINUED)

	CORE SEGMENTS				NON CORE SEGMENTS				UNALLOCATED/ ELIMINATIONS \$'000	CONSOLIDATED \$'000
	PROPERTY \$'000	STORAGE \$'000	FUNDS MANAGEMENT \$'000	PROPERTY VENTURES \$'000	TOTAL CORE SEGMENTS \$'000	AHF \$'000	ADIFI \$'000	AWLF \$'000		
YEAR ENDED 30 JUNE 2015										
Net change in fair value of derivatives					(10,948)	255	842	-	-	(9,851)
Finance costs					(30,874)	(5,929)	(9,596)	-	4,642	(41,757)
Profit / (loss) before tax					153,622	(2,265)	553	(7,901)	(4,146)	139,863
Income tax expense					(5,156)	(914)	325	-	(899)	(6,644)
Net profit / (loss) for the year					148,466	(3,179)	878	(7,901)	(5,045)	133,219
less non-controlling interest					(833)	1,112	-	-	-	279
Net profit / (loss) for the year attributable to members of the Group					147,633	(2,067)	878	(7,901)	(5,045)	133,498

SEGMENT INFORMATION (CONTINUED)

	CORE SEGMENTS						NON CORE SEGMENTS						UNALLOCATED/ ELIMINATIONS \$'000	CONSOLIDATED \$'000
	PROPERTY \$'000	STORAGE \$'000	FUNDS MANAGEMENT \$'000	PROPERTY VENTURES \$'000	TOTAL CORE SEGMENTS \$'000	AHF \$'000	ADIFI \$'000	AMISHT \$'000	AWLF \$'000					
Revenue														
Rental income	81,727	-	-	-	81,727	958	18,237	6,394	20	-	-	-	107,336	
Storage income	-	49,658	-	-	49,658	-	-	-	-	-	-	-	49,658	
Hotel income	1,833	-	-	-	1,833	50,800	-	-	-	-	-	-	52,633	
Finance income	1,309	-	-	18,762	20,071	-	-	-	-	-	(1,309)	-	18,762	
Funds management income	-	-	16,655	-	16,655	-	-	-	-	-	(14,048)	-	2,607	
Sale of inventory	23,472	-	-	104,164	127,636	-	-	-	10,948	-	-	-	138,584	
Net change in fair value of investment properties derecognised	11,396	-	-	-	11,396	-	3,003	(2,064)	-	-	-	-	12,335	
Net change in fair value of investments and financial instruments derecognised	4,085	-	-	-	4,085	(1,271)	-	-	-	-	-	-	2,814	
Net change in investment properties and property, plant and equipment held at balance date	17,280	4,851	-	-	22,131	1,312	1,085	-	-	-	-	-	24,528	
Net change in fair value of investments held at balance date	19	12	-	2,516	2,547	(479)	-	-	-	-	-	-	2,068	
Share of profit from equity accounted investments [^]	10,840	-	564	1,725	13,129	-	-	-	-	-	(604)	-	12,525	
Other unallocated revenue	-	-	-	-	590	205	19	16	14	-	-	-	844	
Total consolidated revenue	151,961	54,521	17,219	127,167	351,458	51,525	22,344	4,346	10,982	(15,961)	(15,961)	(15,961)	424,694	
Property expenses and outgoings	(17,533)	-	-	(16)	(17,549)	(206)	(2,362)	(374)	(468)	801	-	-	(20,158)	
Storage expenses	-	(18,208)	-	-	(18,208)	-	-	-	-	-	-	-	(18,208)	
Hotel expenses	(1,986)	-	-	-	(1,986)	(39,112)	-	-	-	-	-	-	(41,098)	
Depreciation, amortisation and impairment expense	(4,118)	(284)	-	-	(4,402)	(3,889)	(545)	(73)	(3)	-	-	-	(8,912)	
Cost of inventory sales	(19,631)	-	-	(94,081)	(113,712)	-	-	-	(10,540)	-	-	-	(124,252)	
Administrative and other expenses	(8,583)	(4,768)	(1,907)	(3,815)	(19,073)	(1,613)	(636)	(350)	(82)	(2,772)	-	-	(24,526)	
Segment result	100,110	31,261	15,312	29,255	176,528	6,705	18,801	3,549	(111)	(17,932)	(17,932)	(17,932)	187,540	

[^] includes fair value gain of \$2.6 million

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30 JUNE 2015
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SEGMENT INFORMATION (CONTINUED)

	CORE SEGMENTS						NON-CORE SEGMENTS					UNALLOCATED/ ELIMINATIONS \$'000	CONSOLIDATED \$'000		
	PROPERTY \$'000	STORAGE \$'000	FUNDS MANAGEMENT \$'000	PROPERTY VENTURES \$'000	TOTAL CORE SEGMENTS \$'000	AHF \$'000	ADIFI \$'000	AMSHT \$'000	AWLF \$'000						
YEAR ENDED 30 JUNE 2014															
Net change in fair value of derivatives					(15,436)	(1,009)	820	1,096	(4)					(14,533)	
Finance costs					(34,828)	(10,276)	(10,685)	(3,991)	-					8,850	(50,930)
Profit / (loss) before tax					126,264	(4,580)	8,936	654	(115)					(9,082)	122,077
Income tax expense					(14,244)	(209)	(257)	-	-						(14,710)
Net profit / (loss) for the year					112,020	(4,789)	8,679	654	(115)					(9,082)	107,367
less non-controlling interest					(379)	1,743	-	(458)	-						906
Net profit / (loss) for the year attributable to members of the Group					111,641	(3,046)	8,679	196	(115)					(9,082)	108,273

SEGMENT INFORMATION (CONTINUED)

	CORE SEGMENTS						NON CORE SEGMENTS					CONSOLIDATED \$'000
	PROPERTY \$'000	STORAGE \$'000	FUNDS MANAGEMENT \$'000	PROPERTY VENTURES \$'000	UNALLOCATED \$'000	TOTAL \$'000	AHF \$'000	ADIFI \$'000	AWLF \$'000	ELIMINATIONS \$'000		
AS AT 30 JUNE 2015												
Current assets	38,796	-	-	-	38,687	77,483	9,677	18,789	14,250	(5,510)	114,689	
Non-current assets												
Investment properties	700,440	453,761	-	-	-	1,154,201	-	162,900	-	-	1,317,101	
Inventory	-	-	-	107,652	-	107,652	-	-	9,079	(4,042)	112,689	
Property, plant and equipment	491	3,489	-	-	-	3,980	114,030	-	9	-	118,019	
Property loans	-	-	131,934	263,008	-	394,942	-	-	-	(131,934)	263,008	
Other	120,927	-	9,000	48,175	40,726	218,828	2,797	15	-	(9,899)	211,741	
Total assets	860,654	457,250	140,934	418,835	79,413	1,957,086	126,504	181,704	23,338	(151,385)	2,137,247	
Current liabilities	11,079	6,840	2,487	5,248	3,460	29,114	8,236	3,687	1,186	-	42,223	
Non-current liabilities	621	345	46,078	276	441,220	488,540	149,249	149,094	23,432	(153,419)	656,896	
Total liabilities	11,700	7,185	48,565	5,524	444,680	517,654	157,485	152,781	24,618	(153,419)	699,119	
Net assets	848,954	450,065	92,369	413,311	(365,267)	1,439,432	(30,981)	28,923	(1,280)	2,034	1,438,128	
Total facilities - bank loans						770,000	55,000	80,000	-		905,000	
Facilities used at reporting date - bank loans						(387,832)	(51,233)	(79,895)	-		(518,960)	
Facilities unused at reporting date - bank loans						382,168	3,767	105	-		386,040	

NOTES TO THE FINANCIAL STATEMENTS
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CONTINUED

SEGMENT INFORMATION (CONTINUED)

	CORE SEGMENTS						NON CORE SEGMENTS						CONSOLIDATED \$'000
	PROPERTY \$'000	STORAGE \$'000	FUNDS MANAGEMENT \$'000	PROPERTY VENTURES \$'000	UNALLOCATED \$'000	TOTAL \$'000	AHF \$'000	ADIFI \$'000	AMSHT \$'000	AWLF \$'000	ELIMINATIONS \$'000		
AS AT 30 JUNE 2014													
Current assets	165,633	-	-	11,980	74,322	251,935	9,424	30,992	-	13,127	(3,557)	301,921	
Non-current assets													
Investment properties	645,541	411,760	-	-	-	1,057,301	-	101,650	-	-	-	1,158,951	
Inventory	-	-	-	65,226	-	65,226	-	-	-	22,998	(3,204)	85,020	
Property, plant and equipment	610	3,455	-	-	-	4,065	150,307	-	-	11	-	154,383	
Property loans	-	-	130,802	184,415	-	315,217	-	-	-	-	(130,802)	184,415	
Other	109,173	1	27,500	47,531	34,766	218,971	3,147	28	-	-	(27,500)	194,646	
Total assets	920,957	415,216	158,302	309,152	109,088	1,912,715	162,878	132,670	-	36,136	(165,063)	2,079,336	
Current liabilities	7,683	4,867	1,982	4,354	23,860	42,746	7,101	2,625	-	550	-	53,022	
Non-current liabilities	522	290	46,091	232	546,593	593,728	181,130	115,535	-	41,864	(196,133)	736,124	
Total liabilities	8,205	5,157	48,073	4,586	570,453	636,474	188,231	118,160	-	42,414	(196,133)	789,146	
Net assets	912,752	410,059	110,229	304,566	(461,365)	1,276,241	(25,353)	14,510	-	(6,278)	31,070	1,290,190	
Total facilities - bank loans						755,000	70,000	76,911	-	12,000		913,911	
Facilities used at reporting date - bank loans						(500,383)	(66,259)	(27,760)	-	-		(594,402)	
Facilities unused at reporting date - bank loans						254,617	3,741	49,151	-	12,000		319,509	

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015
CONTINUED

1. REVENUE

	2015 \$'000	2014 \$'000
(a) Finance income		
Interest and fee income on secured loans	26,248	18,764
Bank interest	790	842
Total finance income	27,038	19,606
(b) Net change in fair value of investments held at balance date		
Net change in fair value of options held at balance date	-	2,100
Net change in fair value of other investments held at balance date	1,608	(32)
Total change in fair value of investments held at balance date	1,608	2,068

2. EARNINGS PER STAPLED SECURITY

	2015	2014
Basic and diluted earnings per stapled security (cents)	25.46	22.27
Reconciliation of earnings used in calculating earnings per stapled security		
<i>Basic and diluted earnings per stapled security</i>		
Net profit (\$'000)	133,498	108,273
Weighted average number of shares:		
Weighted average number of stapled securities for basic earning per security ('000)	524,437	486,109

3. EXPENSES

	2015 \$'000	2014 \$'000
(a) Depreciation, amortisation and impairment expense		
Depreciation and amortisation of property, plant and equipment and software	4,360	4,442
Net loss / (gain) on property, plant and equipment remeasured at fair value	(435)	1,434
Amortisation - leasing costs	2,237	3,036
Total depreciation, amortisation and impairment expense	6,162	8,912
(b) Finance costs		
Interest on loans	39,822	47,747
Amortisation of finance costs	1,935	3,183
Total finance costs	41,757	50,930
(c) Administrative and other expenses		
Wages and salaries	15,035	12,040
Contributions to defined contribution plans	896	845
Other expenses	14,529	11,641
Total administrative and other expenses	30,460	24,526

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

CONTINUED

4. INCOME TAX

	2015 \$'000	2014 \$'000
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
<i>Current income tax</i>		
Current income tax charge	7,430	9,194
Adjustments in respect of current income tax of previous years	277	2,100
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(1,063)	3,416
Income tax expense reported in the income statement	6,644	14,710
(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 the accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Profit before income tax expense	139,863	122,077
Prima facie income tax expense calculated at 30% (AU)	42,312	36,239
Prima facie income tax expense calculated at 28% (NZ)	(330)	258
Less prima facie income tax expense on profit from Trusts	(36,659)	(26,087)
Prima Facie income tax of entities subject to income tax	5,323	10,410
Adjustment of prior year tax applied	277	2,100
Derecognition of deferred tax assets	315	-
Entertainment	18	21
Foreign exchange translation adjustments	(15)	2
Other items (net)	726	2,177
Income tax expense	6,644	14,710
Income tax expense reported in the consolidated income statement	6,644	14,710

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015
CONTINUED

4. INCOME TAX (CONTINUED)

	2015 \$'000	2014 \$'000
(c) Recognised deferred tax assets and liabilities		
Deferred income tax at 30 June 2015 relates to the following:		
Deferred tax liabilities		
Revaluation of investment properties at fair value	9,483	9,416
Revaluation of investments and financial instruments at fair value	2,022	1,722
Capital allowances	889	2,040
Reset of tax cost bases	-	598
Other	641	561
Gross deferred income tax liabilities	13,035	14,337
Set off against deferred tax assets	(2,545)	(4,014)
Net deferred income tax liabilities	10,490	10,323
Deferred tax assets		
Revaluation of financial instruments at fair value	1,849	1,992
Provisions – other	3,178	2,961
Provisions – employee entitlements	1,244	1,215
Derecognition of deferred tax asset (losses – AHF)	(1,000)	(1,000)
Losses available for offset against future taxable income	3,022	3,247
Other	910	1,079
Gross deferred income tax assets	9,203	9,494
Set off of deferred tax liabilities	(2,545)	(4,014)
Net deferred income tax assets	6,658	5,480

Unrecognised temporary differences

At 30 June 2015, the Group has unrecognised deferred tax assets on capital account in relation to the fair value of investments of \$0.5 million gross (2014: \$0.5 million) and fair value of investment properties of \$0.6 million gross (2014: \$3.6 million).

Losses available for offset against future gains

At 30 June 2015, AHL has recognised a deferred tax asset of \$2.0 million (2014: \$2.2 million) from unutilised tax losses which are available indefinitely for offset against future taxable profits subject to continuing to meet relevant statutory tests. The utilisation of these losses is dependent on future taxable profits being generated within the entities subject to tax. AHL has determined, based on a profit forecast prepared, that future taxable profits will be available to offset these losses.

Tax consolidation

AGHL and its 100% owned Australian resident subsidiaries, ASOL and its 100% owned Australian resident subsidiaries and AHL and its 100% owned Australian resident subsidiaries have formed separate tax consolidated groups. AGHL, ASOL and AHL are the head entity of their respective tax consolidated groups. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These amounts are measured in a manner that is consistent with the broad principles in AASB 112 Income Taxes. The nature of the tax funding agreements are discussed further below.

Nature of the tax funding agreement

Members of the respective tax consolidated groups have entered into tax funding agreements. The tax funding agreements require 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 agreements 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015
CONTINUED

5. INVESTMENT PROPERTIES

	2015 \$'000	2014 \$'000
Leasehold investment properties ¹	11,119	-
Freehold investment properties	1,357,029	1,345,494
Total investment properties	1,368,148	1,345,494

1. The carrying amount of the leasehold property is presented gross of the finance liability of \$2.1 million.

	2015 \$'000	2014 \$'000
Investment properties held for sale		
Retail	19,100	157,856
Office	5,750	10,484
Industrial	26,197	18,203
Total investment properties held for sale	51,047	186,543
Investment properties		
Retail	237,500	243,751
Office	501,350	355,950
Industrial	102,790	123,890
Storage	453,761	411,760
Other	21,700	23,600
Total investment properties	1,317,101	1,158,951
Total investment properties including held for sale	1,368,148	1,345,494

Reconciliation

A reconciliation of the carrying amount of investment properties at the beginning and end of the period is as follows. All investment properties are classified as Level 3 in accordance with the fair value hierarchy outlined in Note 12(e):

	Non-current	
	2015 \$'000	2014 \$'000
LEASEHOLD INVESTMENT PROPERTIES		
Carrying amount at beginning of the financial year	-	-
Additions and capital expenditure	11,119	-
Fair value movements	-	-
Carrying amount at end of the financial year	11,119	-

	Held for sale		Non-current	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
FREEHOLD INVESTMENT PROPERTIES				
Carrying amount at beginning of the financial year	186,543	175,710	1,158,950	1,221,395
Additions and capital expenditure	214	983	200,010	131,761
Net change in fair value as at balance date	(1,697)	(682)	24,255	23,420
Net change in fair value derecognised	32,688	6,894	-	4,501
Disposals	(233,534)	(138,304)	-	(93,437)
Effect of movements in foreign exchange	-	-	(4,400)	7,943
Properties transferred (to) / from held for sale	66,833	141,942	(66,833)	(141,942)
Transfers	-	-	(6,000)	5,310
Carrying amount at end of the financial year	51,047	186,543	1,305,982	1,158,951

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

CONTINUED

5. INVESTMENT PROPERTIES (CONTINUED)

Investment properties are carried at the Directors' determination of fair value. 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.

Sensitivity Information

SIGNIFICANT INPUT	FAIR VALUE MEASUREMENT SENSITIVITY TO SIGNIFICANT INCREASE IN INPUT	FAIR VALUE MEASUREMENT SENSITIVITY TO SIGNIFICANT DECREASE IN INPUT
Adopted capitalisation rate	Decrease	Increase
Optimal occupancy	Increase	Decrease
Adopted discount rate	Decrease	Increase

The adopted capitalisation rate forms part of the income capitalisation approach.

When calculating the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the net market rent and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate has a strong interrelationship in deriving at a fair value given the discount rate will determine the rate in which the terminal value is discounted to the present value.

External valuations are conducted by qualified independent valuers who are appointed by the Managing Director of Abacus Property Services Pty Ltd who is also responsible for the Group's internal valuation process. He is assisted by two employees both of whom hold relevant recognised professional qualifications and are experienced in valuing the types of properties in the applicable locations.

Investment properties are independently valued on a staggered basis every two years unless the underlying financing requires a different valuation cycle.

The majority of the investment properties are used as security for secured bank debt outlined in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

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5. INVESTMENT PROPERTIES (continued)

Abacus*

The weighted average capitalisation rate for Abacus is 7.98% (30 June 2014: 8.36%) and for each category is as follows;

- **Retail** - 7.30% (30 June 2014: 7.83%)
- **Office** - 7.60% (30 June 2014: 8.35%)
- **Industrial** - 8.62% (30 June 2014: 10.00%)
- **Storage** - 8.62% (30 June 2014: 8.84%)
- **Other** - 7.04% (30 June 2014: 7.01%)

The current occupancy rate for the principal portfolio excluding development and self-storage assets is 93.4% (30 June 2014: 94.6%). The current occupancy rate for self-storage assets is 84.9% (30 June 2014: 84.9%).

A weighted average rent review for the 12 months to 30 June 2015 of 3.5% (30 June 2014: 3.6%).

During the year ended 30 June 2015, 50% (30 June 2014: 39%) of the number of investment properties in the portfolio was subject to external valuations, the remaining 50% (30 June 2014: 61%) was subject to internal valuation.

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Wodonga Land Fund

Abacus Diversified Income Fund II

A weighted average capitalisation rate for each category is as follows;

- **Office** - 8.82% (30 June 2014: 9.95%)
- **Industrial** - 8.47% (30 June 2014: 9.00%)

The current occupancy rate for the portfolio is 78.8% (30 June 2014: 82.0%).

During the year ended 30 June 2015, 100% (30 June 2014: 100%) of the number of investment properties in the portfolio was subject to external valuations, the remaining Nil% (30 June 2014: Nil) was subject to internal valuation.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015
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6. INVENTORY

	2015 \$'000	2014 \$'000
(a) Current		
Hotel supplies	415	565
Projects ¹		
- purchase consideration	1,089	2,237
- development costs	3,872	9,335
- finance costs ²	2,088	2,045
	7,464	14,182
(b) Non-current		
Projects ¹		
- purchase consideration	112,911	48,900
- development costs	6,460	27,512
- finance costs ²	2,239	8,580
- other costs ³	79	1,528
- diminution	(9,000)	(1,500)
	112,689	85,020
Total inventory	120,153	99,202

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

2. Finance costs were capitalised at interest rates of 5.2% during the financial year (2014: 5.0%)

3. Other costs are described in Note 25.

7. PROPERTY LOANS AND OTHER FINANCIAL ASSETS

	2015 \$'000	2014 \$'000
(a) Current property loans		
Secured loans - amortised cost ¹	20	4,703
Interest receivable on secured loans - amortised cost	5	236
	25	4,939
(b) Non-current property loans		
Secured loans - amortised cost ¹	229,020	152,334
Interest receivable on secured loans - amortised cost	33,988	32,081
	263,008	184,415
(c) Non-current other financial assets		
Investments in securities - unlisted - fair value	5,335	4,733
Derivatives - fair value	3,520	-
Other financial assets - fair value ²	25,740	25,740
	34,595	30,473

1. 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 2016 and the non-current facilities will mature between 1 July 2016 and 30 June 2017.

2. Abacus 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 period, the maximum exposure to credit risk in relation to these instruments was \$25.7 million (30 June 2014: \$25.7 million).

NOTES TO THE FINANCIAL STATEMENTS

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8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2015 \$'000	2014 \$'000
Investment in joint ventures	137,227	125,432
	137,227	125,432

1. There were no impairment losses or contingent liabilities relating to the investment in the associates and joint ventures.

(a) Extract from joint ventures' profit and loss statements

	2015 \$'000	2014 \$'000
Revenue	358,312	74,805
Expenses	(288,185)	(39,544)
Net profit	70,127	35,261
Share of net profit	29,883	12,525

(b) Extract from joint ventures' balance sheets

	2015 \$'000	2014 \$'000
Current assets	34,508	24,842
Non-current assets	723,377	596,082
	757,885	620,924
Current liabilities	(27,408)	(13,516)
Non-current liabilities	(387,297)	(258,441)
Net assets	343,180	348,967
Share of net assets	137,227	125,432

(c) Material investments in joint ventures

Fordtrans Pty Ltd (Virginia Park) ("VP")

Abacus has a 50% interest in the ownership and voting rights of Fordtrans Pty Ltd. VP's principal place of business is in Bentleigh East, Victoria.

VP owns a sizeable Business Park providing a mixture of industrial and office buildings as well as supporting facilities including gymnasium, swim centre, child care centre, children's play centre, cafe, yoga centre and martial arts centre. The site has recently been enhanced following the purchase of a neighbouring site by Abacus that offers expansion potential and residential opportunity. Abacus jointly controls the venture with the other partner under the terms of Unitholders Agreement and requires unanimous consent for all major decisions over the relevant activities.

Abacus' share of income (including distributions) for the year ended 30 June 2015 was \$1.59 million (30 June 2014: \$3.77 million).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015
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8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(c) Material investments in joint ventures (continued)

Fordtrans Pty Ltd (Virginia Park) ("VP") (continued)

Summarised financial information in respect of VP is as follows:

	2015 \$'000	2014 \$'000
Cash and cash equivalents	828	373
Other current assets	528	13,903
Total current assets	1,356	14,276
Total non-current assets	191,627	177,078
Total assets	192,983	191,354
Current liabilities	794	1,538
Non-current financial liabilities	65,274	65,274
Total liabilities	66,068	66,812
Net assets	126,915	124,542
Share of net assets	63,457	62,445

	2015 \$'000	2014 \$'000
Revenue	8,866	16,992
Interest income	1,601	3,427
Interest expense	(3,643)	(4,436)
Profit before tax	3,380	8,416
Total comprehensive income	3,380	8,416
Share of net profit	1,587	3,768

Australian Aggregation Head Trust ("AAHT")

Abacus has a 25% interest in the ownership and voting rights of Australian Aggregation Head Trust. Abacus is also entitled to receive variable returns based on performance.

AAHT invests in core-plus office, retail and industrial properties in major Australian gateway cities. Abacus' share of income (including distributions) for the year ended 30 June 2015 was \$13.32 million (30 June 2014: \$4.34 million).

Summarised financial information in respect of AAHT is as follows:

	2015 \$'000	2014 \$'000
Cash and cash equivalents	2,372	3,501
Other current assets	726	1,389
Total current assets	3,098	4,890
Total non-current assets	123,000	233,750
Total assets	126,098	238,640
Current liabilities	1,183	5,519
Non-current financial liabilities	58,680	113,167
Total liabilities	59,863	118,686
Net assets	66,235	119,954
Share of net assets	19,074	29,776

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

CONTINUED

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(c) Material investments in joint ventures (continued)

Australian Aggregation Head Trust ("AAHT") (continued)

	2015 \$'000	2014 \$'000
Revenue	161,234	26,449
Interest income	89	61
Interest expense	(3,979)	(6,470)
Profit before tax	27,356	16,905
Total comprehensive income	27,356	16,905
Share of net profit	13,320	4,339

Oasis JV Unit Trust ("Oasis")

Abacus has a 40% interest in the ownership and voting rights of the Oasis JV Unit Trust.

Oasis owns Oasis Shopping Centre, a three-level sub-regional shopping mall at the centre of Broadbeach, Queensland, on the Gold Coast. Abacus' share of the net loss for the year ended 30 June 2015 was \$1.73 million (2014: Nil).

Summarised financial information in respect of Oasis is as follows:

	2015 \$'000	2014 \$'000
Cash and cash equivalents	2,429	-
Other current assets	1,871	-
Total current assets	4,300	-
Total non-current assets	105,000	-
Total assets	109,300	-
Current liabilities	2,254	-
Non-current financial liabilities	61,940	-
Total liabilities	64,194	-
Net assets	45,106	-
Share of net assets	18,042	-

	2015 \$'000	2014 \$'000
Revenue	3,647	-
Interest income	3	-
Interest expense	(694)	-
Loss before tax	(4,244)	-
Total comprehensive loss	(4,244)	-
Share of net loss	(1,737)	-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

CONTINUED

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(c) Material investments in joint ventures (continued)

WTC JV Unit Trust ("WTC")

Abacus has a 25% interest in the ownership and voting rights of the WTC JV Unit Trust.

WTC owns a 70% interest in Towers 2, 3 and 4 of the World Trade Centre, Melbourne. Abacus' share of income (including distributions) for the year ended 30 June 2015 was \$0.90 million (30 June 2014: Nil).

Summarised financial information in respect of WTC is as follows:

	2015 \$'000	2014 \$'000
Cash and cash equivalents	6,064	-
Other current assets	838	-
Total current assets	6,902	-
Total non-current assets	127,050	-
Total assets	133,952	-
Current liabilities	1,901	-
Non-current financial liabilities	64,029	-
Total liabilities	65,930	-
Net assets	68,022	-
Share of net assets	16,855	-

	2015 \$'000	2014 \$'000
Revenue	8,421	-
Interest income	49	-
Interest expense	(1,886)	-
Profit before tax	2,906	-
Total comprehensive income	2,906	-
Share of net profit	895	-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

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9. CASH AND CASH EQUIVALENTS

	2015 \$'000	2014 \$'000
Reconciliation to Statement of Cash Flow		
For the purposes of the Statement of Cash Flow, cash and cash equivalents comprise the following at 30 June 2015		
Cash at bank and in hand¹	38,388	61,653

1. Cash at bank earns interest at floating rates. The carrying amounts of cash and cash equivalents represent fair value.

	2015 \$'000	2014 \$'000
Net profit	133,219	107,367
Adjustments for:		
Depreciation and amortisation of non-current assets	6,162	8,912
Provision for doubtful debts	725	120
Diminution of inventory	9,620	-
Net change in fair value of derivatives	9,851	14,533
Net change in fair value of investment properties held at balance date	(22,282)	(24,528)
Net change in fair value of investments held at balance date	(1,608)	(2,068)
Net change in fair value of investment properties derecognised	(32,688)	(12,335)
Net change in fair value of investment and financial instruments derecognised	(1,671)	(2,814)
Net (profit) / loss on disposal of property, plant and equipment	1,547	-
Increase / (decrease) in payables	(3,431)	6,448
Increase / (decrease) in unearned revenue	195	(24,618)
(Increase) / decrease in inventories	13,926	60,497
Increase / (decrease) in receivables and other assets	5,767	(10,927)
Net cash from operating activities	119,332	120,587

(a) Disclosure of financing facilities

Refer to Note 11.

(b) Disclosure of non-cash financing facilities

Non-cash financing activities include capital raised pursuant to the Abacus distribution reinvestment plan. During the year 1.25 million stapled securities were issued with a cash equivalent of \$3.39 million.

NOTES TO THE FINANCIAL STATEMENTS

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10. CAPITAL MANAGEMENT

Abacus*

Abacus 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 a going concern. Abacus also protects its equity in assets by taking out insurance.

Abacus 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, Abacus reviews its capital structure to ensure sufficient funds and financing facilities (on a cost effective basis) are available to implement its strategy that adequate financing facilities are maintained and distributions to members are made within the stated distribution guidance (i.e. paid out of underlying profits).

The following strategies are available to the Group to manage its capital: issuing new stapled securities, its distribution reinvestment plan, electing to have the distribution reinvestment plan underwritten, adjusting the amount of distributions paid to members, activating a security buyback program, divesting assets, active management of its fixed rate swaps, directly purchasing assets in managed funds and joint ventures, or (where practical) recalibrating the timing of transactions and capital expenditure so as to avoid a concentration of net cash outflows.

Abacus manages the cash flow effect of interest rate risk by entering into interest rate swap agreements that are used to convert floating interest rate borrowings to fixed interest rates. Such interest rate swaps are entered into with the objective of hedging the risk of interest rate fluctuations in respect of underlying borrowings. Under the interest rate swaps, Abacus agrees with other parties to exchange, at specified intervals (mainly monthly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Interest rate swap contracts have been recorded on the Statement of Financial Position at their fair value in accordance with AASB 139 Financial Instruments: Recognition and Measurement. The AIFRS documentation, designation and effectiveness requirements cannot be met in all circumstances, as a result derivatives do not qualify for hedge accounting and are recorded at fair value through the Statement of Income.

Abacus has a total gearing covenant as a condition of the current \$480m Syndicated facility and the \$40m Bilateral facility. The total gearing covenant requires Abacus to have total liabilities (net of cash) to be less than or equal to 50% of total tangible assets (net of cash). As at date of reporting period, Abacus was compliant in meeting all its debt covenants.

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Wodonga Land Fund

Consolidated Funds

The Capital Management approach and strategies employed by the Group are also deployed for the funds ABP manages and which are consolidated in these accounts - AHF, ADIF II and AWLF (or the Consolidated Funds).

Points unique to the capital management of these respective funds are:

- The Consolidated Funds via their responsible entities comply with capital and distribution requirements of their constitutions and/or deeds, the capital requirements of relevant regulatory authorities and continue to operate as going concerns; and
- There is currently no Distribution Reinvestment Plan for any of the Funds.

A summary of compliance of banking covenants - by fund - is set out below:

METRICS	AHF	ADIF II
Nature of facilities	Secured, non recourse	Secured, non recourse
Debt covenants	Compliant	Compliant

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

CONTINUED

11. INTEREST BEARING LOANS AND BORROWINGS

	2015 \$'000	2014 \$'000
Abacus*		
Current		
Other loans - A\$	-	16,667
	-	16,667
(a) Total current	-	16,667

	2015 \$'000	2014 \$'000
Abacus*		
Non-current		
Bank loans - A\$	311,815	439,297
Bank loans - A\$ value of NZ\$ denominated loan	76,017	61,086
Other loans - A\$	4,292	4,292
Less: Unamortised borrowing costs	(3,187)	(3,235)
	388,937	501,440

Abacus Hospitality Fund		
Non-current		
Bank loans - A\$	51,233	42,500
Bank loans - A\$ value of NZ\$ denominated loan	-	23,759
Loans from other parties	24,640	25,552
Less: Unamortised borrowing costs	(340)	(374)
	75,533	91,437

Abacus Diversified Income Fund II		
Non-current		
Bank loans - A\$	79,895	27,760
Less: Unamortised borrowing costs	(320)	(390)
	79,575	27,370
(b) Total non-current	544,045	620,247

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Wodonga Land Fund

	2015 \$'000	2014 \$'000
(c) Maturity profile of current and non-current interest bearing loans		
Due within one year	-	16,667
Due between one and five years	197,213	494,246
Due after five years	346,832	130,000
	544,045	640,913

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

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11. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Abacus*

Abacus 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 are \$A and \$NZ denominated and are provided by several banks at interest rates which are set periodically on a floating basis. The loans term to maturity varies from July 2016 to July 2021. The bank loans are secured by charges over the investment properties, certain inventory and certain property, plant and equipment.

Approximately 88% (30 June 2014: 76%) of bank debt drawn was subject to fixed rate hedges with a weighted average term to maturity of 4.3 years (30 June 2014: 4.6 years). Hedge cover as a percentage of available facilities at 30 June 2015 is 44.1% (30 June 2014: 50.4%).

Abacus' weighted average interest rate as at 30 June 2015 was 6.07% (30 June 2014: 5.41%). Line fees on undrawn facilities contributed to 0.50% of the weighted average interest rate at 30 June 2015 (30 June 2014: 0.34%). Abacus' weighted average interest rate excluding the undrawn facilities line fees as at 30 June 2015 was 5.57% (30 June 2014: 5.07%). Abacus' weighted average interest rate was higher due to the weighted average drawn debt of \$484.6 million being lower than the previous period (30 June 2014: \$567.0 million).

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Wodonga Land Fund

Abacus Hospitality Fund

AHF's \$A and \$NZ bank facility matures in April 2017. The facility is secured by a charge over AHF's hotel assets and at 30 June 2015 approximately 58.6% (30 June 2014: 64.8%) of drawn bank debt facilities were subject to current fixed rate hedges with a weighted average term to maturity of 1.8 years (30 June 2014: 2.8 years).

AHF's weighted average interest rate as at 30 June 2015 was 8.1% (30 June 2014: 7.7%). AHF's weighted average interest rate was higher due to the weighted average drawn debt of \$57.8 million being lower than the previous period (30 June 2014: \$60.8 million).

Abacus Diversified Income Fund II

ADIF II has financed its investment property portfolio via a single facility which matures in June 2017.

The facility is secured by charges over ADIF II's investment properties and at 30 June 2015 approximately 67.0% (30 June 2014: 100.0%) of drawn bank debt facilities were subject to fixed rate hedges. The bank debt drawn at 30 June 2015 has a weighted average term to maturity of 2.0 years (30 June 2014: 2.6 years). ADIF II's weighted average interest rate was lower due to ADIF II aggregating its banking facilities to a single lender during the financial period.

ADIF II's weighted average interest rate as at 30 June 2015 was 7.60% (30 June 2014: 8.05%).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

CONTINUED

11. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(d) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	2015 \$'000	2014 \$'000
Current		
First mortgage		
Property, plant and equipment	3,080	2,700
Investment properties held for sale	31,947	186,543
Total current assets pledged as security	35,027	189,243
Non-current		
First mortgage		
Freehold land and buildings	3,489	3,589
Property, plant and equipment	114,030	150,307
Inventory	6,000	31,008
Investment properties	1,297,111	1,102,281
Total non-current assets pledged as security	1,420,630	1,287,185
Total assets pledged as security	1,455,657	1,476,428

(e) Defaults and breaches

During the current and prior years, there were no defaults or breaches of any of the Group's loans.

12. FINANCIAL INSTRUMENTS

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 of 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 instruments are disclosed in the section about this report and Note 25 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 and options, 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 satisfied 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 Ventures business which provides loans to third parties, those using the funds for property development and / or investment. 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;
- background of the owner (borrower) including previous investment track record;
- 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.

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30 JUNE 2015

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12. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Credit risk exposures

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

	CARRYING AMOUNT	
	2015 \$'000	2014 \$'000
Receivables	11,680	30,922
Secured property loans	263,033	189,354
Other financial assets	34,595	30,473
Cash and cash equivalents	38,388	61,653
	347,696	312,402

As at 30 June 2015, the Group had the following concentrations of credit risk:

- Secured property loans: a loan which represents 30% of the portfolio covers two large projects at Riverlands and Camelia; and
- Other financial assets (fair value): include an option of \$25.7m which is represented by one issuer and is on original terms (2014: one issuer).

Secured property loans

The following table illustrates grouping of the Group's investment in secured loans.

30 JUNE 2015	TOTAL \$'000	ORIGINAL TERM \$'000	RENEWED/ EXTENDED TERM ¹ \$'000	PAST DUE TERM \$'000	IMPAIRED ² \$'000
Loans	263,033	232,530	30,503	-	-
less: provisioning	-	-	-	-	-
Total	263,033	232,530	30,503	-	-

30 JUNE 2014	TOTAL \$'000	ORIGINAL TERM \$'000	RENEWED/ EXTENDED TERM ¹ \$'000	PAST DUE TERM \$'000	IMPAIRED ² \$'000
Loans	189,354	93,027	96,327	-	-
less: provisioning	-	-	-	-	-
Total	189,354	93,027	96,327	-	-

1. Loans are generally renewed / extended on commercial terms.

2. 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.

There was no movement in the allowance for impairment in respect of secured property loans and receivables during the year.

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30 JUNE 2015
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12. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through 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 2015, the Group had undrawn facilities of \$386.0 million and cash of \$38.4 million which are adequate to cover short term funding requirements. Further information regarding the Group's debt profile is disclosed in Note 11.

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

30 JUNE 2015	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	29,812	29,812	29,812	-	-
Interest bearing loans and borrowings incl derivatives#	569,852	688,528	40,452	284,238	363,838
Other financial liabilities	45,965	45,965	25	45,940	-
Total liabilities	645,629	764,305	70,289	330,178	363,838

30 JUNE 2014	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	21,527	21,527	21,527	-	-
Interest bearing loans and borrowings incl derivatives#	863,158	1,079,510	78,837	855,751	144,922
Other financial liabilities	47,119	47,119	1,136	45,983	-
Total liabilities	931,804	1,148,156	101,500	901,734	144,922

Carrying amount includes fair value of derivative liabilities. Contractual cash flows includes contracted debt and net swap payments using prevailing forward rates

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12. FINANCIAL INSTRUMENTS (CONTINUED)

(c) 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 are conducted are primarily denominated in NZD. As a result the Group's balance sheet can be affected by movements in the A\$/NZ\$ exchange rates.

	AUD		NZD	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Assets				
Cash at bank	2,892	2,094	3,266	2,198
Investment in securities	5,307	4,687	-	-
Total assets	8,199	6,781	3,266	2,198
Liabilities				
Interest bearing loans and borrowings	58,203	84,845	65,734	91,302
Total liabilities	58,203	84,845	65,734	91,302

Abacus and Abacus Hospitality Fund borrow 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 the foreign currency risk on their New Zealand denominated asset values.

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

At 30 June 2015, had the Australian Dollar moved, as illustrated in the table below, with all other variables held consistent, post tax profit and equity would have been affected as follows:

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	POST TAX PROFIT HIGHER/(LOWER)	
	2015 \$'000	2014 \$'000
AUD/NZD + 10%	(5,554)	(5,735)
AUD/NZD - 10%	6,788	7,009

12. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market Risk (continued)

Interest rate risk / Fair value interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term bank debt obligations which are based on floating interest rates. The Group has a policy to maintain a mix of floating exposure and fixed interest rate hedging with fixed rate cover highest in years 1 to 5.

Similar policies are employed for the funds consolidated by the Group (AHF, ADIF II and AWLF).

The Group hedges to minimise interest rate risk by entering variable to fixed interest rate swaps which also helps deliver interest covenant compliance and positive carry (net rental income in excess of interest expense) on the property portfolio. Interest rate swaps have the economic effect of converting borrowings from variable rates to fixed rates. Under the interest rate swaps, the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to the agreed notional principal amounts. At 30 June 2015, after taking into account the effect of interest rate swaps, approximately 81.5% of the Group's drawn debt is subject to fixed rate hedges (2014: 83.6%). Hedge cover as a percentage of available facilities at 30 June 2015 is 46.7% (2014: 54.4%).

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 variable rate debt subject to interest rate swaps and fixed rate debt is disclosed in Note 11.

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30 JUNE 2015
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12. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market Risk (continued)

Interest rate risk / Fair value interest rate risk (continued)

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:

Abacus[^]

30 JUNE 2015	FLOATING INTEREST RATE \$'000	FIXED INTEREST LESS THAN 1 YEAR \$'000	FIXED INTEREST 1 TO 5 YEARS \$'000	FIXED INTEREST OVER 5 YEARS \$'000	NON INTEREST BEARING \$'000	TOTAL \$'000
Financial assets						
Cash and cash equivalents	28,176	-	-	-	-	28,176
Receivables	-	-	-	-	8,007	8,007
Derivatives	-	-	-	-	3,783	3,783
Secured loans	-	22,533	240,500	-	-	263,033
Total financial assets	28,176	22,533	240,500	-	11,790	302,999
Weighted average interest rate*	2.10%	13.73%	12.68%			
Financial liabilities						
Interest bearing liabilities - bank	387,832	-	-	-	-	387,832
Interest bearing liabilities - other	-	-	4,292	-	-	4,292
Derivatives	-	-	-	-	43,978	43,978
Payables	-	-	-	-	18,917	18,917
Total financial liabilities	387,832	-	4,292	-	62,895	455,019
Notional principal swap balance maturities*	-	24,349	265,000	50,000	-	339,349
Weighted average interest rate on drawn bank debt*	6.07%					

30 JUNE 2014	FLOATING INTEREST RATE \$'000	FIXED INTEREST LESS THAN 1 YEAR \$'000	FIXED INTEREST 1 TO 5 YEARS \$'000	FIXED INTEREST OVER 5 YEARS \$'000	NON INTEREST BEARING \$'000	TOTAL \$'000
Financial assets						
Cash and cash equivalents	53,734	-	-	-	-	53,734
Receivables	-	-	7,085	-	17,762	24,847
Derivatives	-	-	-	-	247	247
Secured loans	-	4,895	184,459	-	-	189,354
Total financial assets	53,734	4,895	191,544	-	18,009	268,182
Weighted average interest rate*	1.45%	12.20%	10.91%			
Financial liabilities						
Interest bearing liabilities - bank	500,383	-	-	-	-	500,383
Interest bearing liabilities - other	-	20,959	-	-	-	20,959
Derivatives	-	-	-	-	39,329	39,329
Payables	-	-	-	-	13,549	13,549
Total financial liabilities	500,383	20,959	-	-	52,878	574,220
Notional principal swap balance maturities*	-	59,900	250,555	70,000	-	380,455
Weighted average interest rate on drawn bank debt*	5.41%					

* rate calculated at 30 June excluding forward starts

[^] Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Wodonga Land Fund

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015
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12. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market Risk (continued)

Interest rate risk / Fair value interest rate risk (continued)

Abacus Hospitality Fund

30 JUNE 2015	FLOATING INTEREST RATE \$'000	FIXED INTEREST LESS THAN 1 YEAR \$'000	FIXED INTEREST 1 TO 5 YEARS \$'000	FIXED INTEREST OVER 5 YEARS \$'000	NON INTEREST BEARING \$'000	TOTAL \$'000
Financial assets						
Cash and cash equivalents	7,222	-	-	-	-	7,222
Receivables	-	-	-	-	1,751	1,751
Total financial assets	7,222	-	-	-	1,751	8,973
Weighted average interest rate*	2.10%					
Financial liabilities						
Interest bearing liabilities - bank	51,233	-	-	-	-	51,233
Related party loans	-	-	24,640	-	-	24,640
Derivatives	-	-	-	-	2,598	2,598
Payables	-	-	-	-	7,411	7,411
Total financial liabilities	51,233	-	24,640	-	10,009	85,882
Notional principal swap balance maturities*	-	-	30,000	-	-	30,000
Weighted average interest rate on drawn bank debt*	8.07%					

30 JUNE 2014	FLOATING INTEREST RATE \$'000	FIXED INTEREST LESS THAN 1 YEAR \$'000	FIXED INTEREST 1 TO 5 YEARS \$'000	FIXED INTEREST OVER 5 YEARS \$'000	NON INTEREST BEARING \$'000	TOTAL \$'000
Financial assets						
Cash and cash equivalents	6,467	-	-	-	-	6,467
Receivables	-	-	-	-	1,907	1,907
Total financial assets	6,467	-	-	-	1,907	8,374
Weighted average interest rate*	1.90%					
Financial liabilities						
Interest bearing liabilities - bank	65,885	-	-	-	-	65,885
Related party loans	-	-	25,551	-	-	25,551
Derivatives	-	-	-	-	9,675	9,675
Payables	-	-	-	-	6,044	6,044
Total financial liabilities	65,885	-	25,551	-	15,719	107,155
Notional principal swap balance maturities*	-	-	42,942	-	-	42,942
Weighted average interest rate on drawn bank debt*	7.70%					

* rate calculated at 30 June excluding forward starts

NOTES TO THE FINANCIAL STATEMENTS

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12. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market Risk (continued)

Interest rate risk / Fair value interest rate risk (continued)

Abacus Diversified Income Fund II

30 JUNE 2015	FLOATING INTEREST RATE \$'000	FIXED INTEREST LESS THAN 1 YEAR \$'000	FIXED INTEREST 1 TO 5 YEARS \$'000	FIXED INTEREST OVER 5 YEARS \$'000	NON INTEREST BEARING \$'000	TOTAL \$'000
Financial assets						
Cash and cash equivalents	1,985	-	-	-	-	1,985
Receivables	-	-	-	-	1,077	1,077
Total financial assets	1,985	-	-	-	1,077	3,062
Weighted average interest rate*	2.10%					
Financial liabilities						
Interest bearing liabilities - bank	79,575	-	-	-	-	79,575
Derivatives	-	-	-	-	4,548	4,548
Payables	-	-	-	-	2,298	2,298
Total financial liabilities	79,575	-	-	-	6,846	86,421
Notional principal swap balance maturities*	-	-	53,500	-	-	53,500
Weighted average interest rate on drawn bank debt*	7.60%					

30 JUNE 2014	FLOATING INTEREST RATE \$'000	FIXED INTEREST LESS THAN 1 YEAR \$'000	FIXED INTEREST 1 TO 5 YEARS \$'000	FIXED INTEREST OVER 5 YEARS \$'000	NON INTEREST BEARING \$'000	TOTAL \$'000
Financial assets						
Cash and cash equivalents	1,276	-	-	-	-	1,276
Receivables	-	-	-	-	808	808
Total financial assets	1,276	-	-	-	808	2,084
Weighted average interest rate*	1.05%					
Financial liabilities						
Interest bearing liabilities - bank	27,371	-	-	-	-	27,371
Derivatives	-	-	-	-	5,391	5,391
Payables	-	-	-	-	1,377	1,377
Total financial liabilities	27,371	-	-	-	6,768	34,139
Notional principal swap balance maturities*	-	-	53,500	-	-	53,500
Weighted average interest rate on drawn bank debt*	8.05%					

* rate calculated at 30 June

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

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12. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market Risk (continued)

Interest rate risk / Fair value interest rate risk (continued)

Abacus Wodonga Land Fund

30 JUNE 2015	FLOATING INTEREST RATE \$'000	FIXED INTEREST LESS THAN 1 YEAR \$'000	FIXED INTEREST 1 TO 5 YEARS \$'000	FIXED INTEREST OVER 5 YEARS \$'000	NON INTEREST BEARING \$'000	TOTAL \$'000
Financial assets						
Cash and cash equivalents	1,005	-	-	-	-	1,005
Receivables	-	-	-	-	845	845
Total financial assets	1,005	-	-	-	845	1,850
Weighted average interest rate*	2.02%					
Financial liabilities						
Payables	-	-	-	-	1,186	1,186
Total financial liabilities	-	-	-	-	1,186	1,186

30 JUNE 2014	FLOATING INTEREST RATE \$'000	FIXED INTEREST LESS THAN 1 YEAR \$'000	FIXED INTEREST 1 TO 5 YEARS \$'000	FIXED INTEREST OVER 5 YEARS \$'000	NON INTEREST BEARING \$'000	TOTAL \$'000
Financial assets						
Cash and cash equivalents	176	-	-	-	-	176
Receivables	-	-	-	-	793	793
Total financial assets	176	-	-	-	793	969
Weighted average interest rate*	2.06%					
Financial liabilities						
Derivatives	-	-	-	-	2,961	2,961
Payables	-	-	-	-	557	557
Total financial liabilities	-	-	-	-	3,518	3,518
Notional principal swap balance maturities*	-	-	20,000	-	-	20,000

* rate calculated at 30 June

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015
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12. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market Risk (continued)

Interest rate risk / Fair value interest rate risk (continued)

The following table is a summary of the interest rate sensitivity analysis:

30 JUNE 2015	CARRYING AMOUNT FLOATING	AUD			
		-1%		+1%	
		PROFIT	EQUITY	PROFIT	EQUITY
Financial assets	38,388	(384)	-	384	-
Financial liabilities	144,451	(14,583)	-	13,906	-

30 JUNE 2014	CARRYING AMOUNT FLOATING	AUD			
		-1%		+1%	
		PROFIT	EQUITY	PROFIT	EQUITY
Financial assets	61,654	(617)	-	617	-
Financial liabilities	200,601	(20,349)	-	18,991	-

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

(d) Other market price risk

The Group is exposed to price risk arising from investments in unlisted securities. The key risk variable is the movement in the net assets which approximates fair value of the underlying entities. The Group manages their exposure through regularly monitoring the performance of these investments and conducts sensitivity analysis for fluctuations in the underlying asset values.

A fluctuation of 15% in the net asset value in the securities would impact the net profit after income tax expense of the Group, with all other variables held constant, by an increase/(decrease) of \$0.56 million (2014: \$0.50 million).

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30 JUNE 2015

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12. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values

Set out below, is a comparison by category of the carrying amounts and fair values of all the Group's financial instruments:

CONSOLIDATED	CARRYING AMOUNT 2015 \$'000	FAIR VALUE 2015 \$'000	CARRYING AMOUNT 2014 \$'000	FAIR VALUE 2014 \$'000
Financial assets				
Cash and cash equivalents ¹	38,388	38,388	61,653	61,653
Trade and other receivables (current) ¹	11,680	11,680	21,165	21,165
Trade and other receivables (non-current) ¹	-	-	7,085	7,085
Property loans (current) ²	25	25	4,939	4,939
Property loans (non-current) ²	263,008	263,008	184,415	184,415
Investment in securities - unlisted ³	5,335	5,335	4,733	4,733
Derivatives (current) ³	263	263	247	247
Derivatives (non-current) ³	3,520	3,520	-	-
Investment in other financial assets ³	25,740	25,740	25,740	25,740
Total financial assets	347,959	347,959	309,977	309,977
Financial liabilities				
Trade and other payables ¹	29,812	29,812	21,527	21,527
Interest bearing loans and borrowings (current) ⁴	-	-	16,667	16,667
Interest bearing loans and borrowings (non-current) ⁴	544,045	544,045	620,247	620,247
Derivatives (non-current) ³	51,125	51,125	57,602	57,602
Other financial liabilities (current) ⁵	25	25	1,136	1,136
Other financial liabilities (non-current) ⁵	45,940	45,940	45,983	45,983
Total financial liabilities	670,947	670,947	763,162	763,162
Net financial assets / (liabilities)	(322,988)	(322,988)	(453,185)	(453,185)

1. These financial assets and liabilities are not subject to interest rate or market risk and the fair value approximates carrying value.

2. These receivables are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer and the risk characteristics of the project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 30 June 2015, the carrying amounts of receivables, net of allowances, were not materially different from their carrying values.

3. These financial assets and liabilities are subject to interest rate and market risks. 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.

4. The fair value of these financial liabilities (excluding derivative instruments and finance lease \$2.1 million¹) are determined at each reporting date in accordance with generally accepted valuation techniques; these include the use of recent arm's length transactions, reference to other assets that are substantially the same; or discounted cash flow analysis.

5. The fair value of these financial liabilities recognises their associated risks and discounts any amounts payable in the future by an appropriate discount rate. Refer to disclosure Note 23 for more details relating to this liability.

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30 JUNE 2015
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12. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values (continued)

In accordance with AASB 7 Financial Instruments: Disclosures and AASB13 Fair Value Measurement the Group's financial instruments are classified into the following fair value measurement hierarchy:

Level 1 Quoted prices (unadjusted) in active market for identical assets or liabilities;

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

Level 3 Inputs for the asset or liability that are not based on observable market data.

30 JUNE 2015	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
Current				
Property loans	-	-	25	25
Derivative asset	-	263	-	263
Total current	-	263	25	288
Non-current				
Property loans	-	-	263,008	263,008
Investment in securities - unlisted	-	-	5,335	5,335
Investment in options	-	-	25,740	25,740
Derivative assets	-	3,520	-	3,520
Derivative liabilities	-	(51,125)	-	(51,125)
Interest bearing loans and borrowings	-	(544,045)	-	(544,045)
Total non-current	-	(591,650)	294,083	(297,567)

30 JUNE 2014	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
Current				
Property loans	-	-	4,939	4,939
Derivative asset	-	247	-	247
Interest bearing loans and borrowings	-	(16,667)	-	(16,667)
Total current	-	(16,420)	4,939	(11,481)
Non-current				
Property loans	-	-	184,415	184,415
Investment in securities - unlisted	-	-	4,733	4,733
Investment in options	-	-	25,740	25,740
Derivative liabilities	-	(57,602)	-	(57,602)
Interest bearing loans and borrowings	-	(620,247)	-	(620,247)
Total non-current	-	(677,849)	214,888	(462,961)

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015
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12. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values (continued)

The following table is a reconciliation of the movements in unlisted securities and options classified as Level 3 for the year ended 30 June 2015.

	UNLISTED SECURITIES \$'000	OPTIONS \$'000	TOTAL \$'000
opening balance as at 30 June 2014	4,733	25,740	30,473
fair value movement through the income statement	620	-	620
redemptions / conversions	(18)	-	(18)
closing balance as at 30 June 2015	5,335	25,740	31,075

	UNLISTED SECURITIES \$'000	OPTIONS \$'000	TOTAL \$'000
opening balance as at 30 June 2013	4,642	23,640	28,282
fair value movement through the income statement	416	2,100	2,516
redemptions / conversions	(325)	-	(325)
closing balance as at 30 June 2014	4,733	25,740	30,473

Determination of fair Value

The fair value of unlisted securities is determined by reference to the net assets which approximates fair value of the underlying entities.

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

The potential effect of using reasonable possible alternative assumptions based on a change in the property valuations by 5% would have the effect of reducing the fair value by up to \$8.8 million (30 June 2014: \$7.9 million) or increase the fair value by \$8.8 million (30 June 2014: \$7.9 million).

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13. CONTRIBUTED EQUITY

(A) ISSUED STAPLED SECURITIES	2015 \$'000	2014 \$'000
Stapled securities	1,555,563	1,444,602
Issue costs	(41,548)	(40,846)
Total contributed equity	1,514,015	1,403,756

(B) MOVEMENT IN STAPLED SECURITIES ON ISSUE	STAPLED SECURITIES	
	NUMBER \$'000	VALUE \$'000
At 30 June 2014	513,779	1,403,756
- equity raisings	38,146	107,570
- distribution reinvestment plan	1,247	3,390
- less transaction costs	-	(701)
Securities on issue at 30 June 2015	553,172	1,514,015

14. DISTRIBUTIONS PAID AND PROPOSED

ABACUS	2015 \$'000	2014 \$'000
(a) Distributions paid during the year		
June 2014 half: 8.50 cents per stapled security (2013: 8.25 cents)	43,671	37,377
December 2014 half: 8.50 cents per stapled security (2013: 8.25 cents)	44,101	40,836
(b) Distributions proposed and not recognised as a liability[^]		
June 2015 half: 8.50 cents per stapled security (2014: 8.50 cents)	47,020	43,671

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 8.50 cents per stapled security was declared on 1 July 2015. The distribution paid on 14 August 2015 was \$47.0 million. No provision for the distribution has been recognised in the balance sheet at 30 June 2015 as the distribution had not been declared by the end of the year

NON-CORE FUNDS	2015 \$'000	2014 \$'000
(a) Distributions paid during the year		
Abacus Hospitality Fund	980	981
Abacus Diversified Income Fund II	4,926	4,860
	5,906	5,841
(b) Distributions proposed		
Abacus Hospitality Fund - not recognised	245	245
Abacus Diversified Income Fund II - recognised	1,234	1,215

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14. DISTRIBUTIONS PAID AND PROPOSED (CONTINUED)

ABACUS*	2015 \$'000	2014 \$'000
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% (2014: 30%)	19,758	13,195
Prior year adjustment for franking credits that have arisen from the receipt of dividends	-	249
Franking credits that will arise from the payment of income tax payable at the end of the financial year	4,150	6,314
Franking account balance at the end of the financial year 30% (2014: 30%)	23,908	19,758

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Wodonga Land Fund

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15. INTEREST IN SUBSIDIARIES

(a) Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries with material non-controlling interests:

NAME OF ENTITY	PRINCIPAL PLACE OF BUSINESS	% HELD BY NCI	(PROFIT)/LOSS ALLOCATED TO NCI \$'000	ACCUMULATED NCI \$'000
30 June 2015				
Abacus Hospitality Fund*	Australia	90	1,112	25,310
Abacus Wodonga Land Fund	Australia	85	-	-
			1,112	25,310
30 June 2014				
Abacus Hospitality Fund*	Australia	90	1,743	27,939
Abacus Miller Street Holding Trust	Australia	70	(458)	-
Abacus Wodonga Land Fund	Australia	85	-	-
			1,285	27,939

The country of incorporation is the same as the principal place of business, unless stated otherwise.

There are no significant restrictions.

* The Abacus working capital facility ranks pari passu for downside but not upside at fund wind up

(b) Summarised financial information about subsidiaries with material NCI

Summarised statement of financial position

ABACUS HOSPITALITY FUND	2015 \$'000	2014 \$'000
Current assets	9,677	9,424
Current liabilities	(8,236)	(7,101)
Net current assets	1,441	2,323
Non-current assets	116,827	153,454
Non-current liabilities	(149,249)	(181,130)
Net non-current assets	(32,422)	(27,676)
Net deficiency	(30,981)	(25,353)
ABACUS WODONGA LAND FUND		
Current assets	14,250	11,513
Current liabilities	(1,186)	(550)
Net current assets	13,064	10,963
Non-current assets	9,088	24,623
Non-current liabilities	(23,432)	(41,864)
Net non-current assets	(14,344)	(17,241)
Net deficiency	(1,280)	(6,278)

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15. INTEREST IN SUBSIDIARIES (CONTINUED)

(b) Summarised financial information about subsidiaries with material NCI (continued)

Summarised statement of comprehensive income

ABACUS HOSPITALITY FUND	2015 \$'000	2014 \$'000
Revenue	47,829	52,004
Profit / (loss) before income tax	(2,265)	(4,580)
Income tax expense	(914)	(209)
Profit / (loss) after tax	(3,179)	(4,789)
Other comprehensive income	-	622
Total comprehensive expense	(3,179)	(4,167)

ABACUS WODONGA LAND FUND	2015 \$'000	2014 \$'000
Revenue	34,922	20,982
Profit before income tax	4,999	9,885
Income tax expense	-	-
Profit after tax	4,999	9,885
Other comprehensive income	-	-
Total comprehensive income	4,999	9,885

NOTES TO THE FINANCIAL STATEMENTS

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16. PARENT ENTITY FINANCIAL INFORMATION

	2015 \$'000	2014 \$'000
Results of the parent entity		
Profit / (loss) for the year	1,897	(26,913)
Total comprehensive income / (expense) for the year	1,897	(26,913)
Financial position of the parent entity at year end		
Current assets	731	7,801
Total assets	341,006	307,169
Current liabilities	3,014	4,946
Total liabilities	66,394	59,801
Net assets	274,612	247,368
Total equity of the parent entity comprising of:		
Issued capital	332,929	307,952
Retained earnings	(65,976)	(67,873)
Employee options reserve	7,659	7,289
Total equity	274,612	247,368

(a) Parent entity contingencies

As at 30 June 2015, the parent entity has entered into, or still bound by, the following agreements:

- Act as guarantor for borrowings for certain joint venture arrangements to a guarantee limit of \$22.8 million (30 June 2014: Nil). No property security has been provided by the parent.

(b) Parent entity capital commitments

There are no capital commitments of the parent entity as at 30 June 2015 (2014: Nil).

NOTES TO THE FINANCIAL STATEMENTS

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17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The property, plant and equipment are carried at the directors' determination of fair value except held for sale which are measured at the lower of their carrying amount and fair value less costs to sell. 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.

Sensitivity Information

SIGNIFICANT INPUT	FAIR VALUE MEASUREMENT SENSITIVITY TO SIGNIFICANT INCREASE IN INPUT	FAIR VALUE MEASUREMENT SENSITIVITY TO SIGNIFICANT DECREASE IN INPUT
Net market EBITDA	Increase	Decrease
Optimal occupancy	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase

The adopted capitalisation rate forms part of the income capitalisation approach.

When calculating the income capitalisation approach, the EBITDA has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total EBITDA generated from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the EBITDA and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the EBITDA and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the EBITDA and the adopted capitalisation rate could potentially magnify the impact to the fair value.

Hotel Properties

- A weighted average capitalisation rate is 8.81% (30 June 2014: 9.57%)
- The current weighted average occupancy rate is 72% (30 June 2014: 72%)

Storage Properties

- A weighted average capitalisation rate is 8.62% (30 June 2014: 8.84%)
- The current weighted average occupancy rate is 90.2% (30 June 2014: 84.9%)

External valuations are conducted by qualified independent valuers who are appointed by the Managing Director of Abacus Property Services Pty Ltd who is also responsible for the Group's internal valuation process. The Managing Director is assisted by two employees both of whom hold relevant recognised professional qualifications and are experienced in valuing the types of properties in the applicable locations.

18. TRADE AND OTHER RECEIVABLES

	2015 \$'000	2014 \$'000
Current		
Gross receivables	14,523	23,283
Less provision for doubtful debts	(2,843)	(2,118)
Net current receivables	11,680	21,165

NOTES TO THE FINANCIAL STATEMENTS

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19. COMMITMENTS AND CONTINGENCIES

Abacus*

(a) 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-cancellable operating leases as at 30 June 2015 are as follows:

	2015 \$'000	2014 \$'000
Within one year	1,006	967
After one year but not more than five years	1,046	2,052
More than five years	-	-
	2,052	3,019

(b) Operating lease commitments - Group as lessor

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2015 are as follows:

	2015 \$'000	2014 \$'000
Within one year	70,917	92,576
After one year but not more than five years	169,351	206,546
More than five years	73,379	88,309
	313,647	387,431

These amounts do not include contingent 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.

(c) Capital and other commitments

At 30 June 2015 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 and unused mortgage loan facilities to third parties.

Commitments planned and/or contracted at reporting date but not recognised as liabilities are as follows:

	2015 \$'000	2014 \$'000
Within one year		
- gross settlement of property acquisitions	112,293	17,486
- property refurbishment costs	2,460	4,700
- property development costs	29,056	14,271
- unused portion of loan facilities to outside parties	56,465	7,139
	200,274	43,596

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Wodonga Land Fund

NOTES TO THE FINANCIAL STATEMENTS

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CONTINUED

19. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(c) Capital and other commitments (continued)

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.

	2015 \$'000	2014 \$'000
Contingent liabilities:		
Within one year		
- corporate guarantee	41,145	3,035
	41,145	3,035

Abacus Diversified Income Fund II

(a) Operating lease commitments - as lessor

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2015 are as follows:

	2015 \$'000	2014 \$'000
Within one year	7,672	9,643
After one year but not more than five years	15,442	21,788
More than five years	7,503	8,875
	30,617	40,306

These amounts do not include contingent 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.

(b) Capital and other commitments

	2015 \$'000	2014 \$'000
Within one year		
- property refurbishment costs	348	3,056
	348	3,056

ABACUS WODONGA LAND FUND

(a) Capital and other commitments

	2015 \$'000	2014 \$'000
Within one year		
- property development costs	3,600	2,440
	3,600	2,440

NOTES TO THE FINANCIAL STATEMENTS

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20. RELATED PARTY DISCLOSURES

(a) Subsidiaries

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

ENTITY	EQUITY INTEREST	
	2015 %	2014 %
<i>Abacus Group Holdings Limited and its subsidiaries</i>		
Abacus Airways NZ Trust	-	100
Abacus Castle Hill Trust	100	100
Abacus Cobar Trust	100	100
Abacus Finance Pty Limited	100	100
Abacus Funds Management Limited	100	100
Abacus Griffith Avenue Trust	100	100
Abacus HP Operating Co Pty Ltd	100	100
Abacus HP Trust	100	100
Abacus Investment Pty Ltd	100	100
Abacus Wasjig Investments Pty Ltd	100	100
Abacus Mariners Lodge Trust	100	100
Abacus Mortgage Fund	100	100
Abacus Mount Druitt Trust	100	100
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 Property Income Fund	-	100
Abacus Property Services Pty Ltd	100	100
Abacus SP Note Facility Pty Ltd	100	100
Abacus Storage Funds Management Limited	100	100
Abacus Summit Trust	100	100
Abacus Wodonga Land Commercial Trust	100	100
Amiga Pty Limited	100	100
Bay Street Brighton Unit Trust	100	100
Clarendon Property Investments Pty Ltd	100	100
Corporate Helpers Pty Ltd	100	100
Main Street Pakenham Unit Trust	100	100
Oasis Staffing Pty Ltd	100	-
Yarradale Developments Trust	100	-
<i>Abacus Group Projects Limited and its subsidiaries</i>		
Abacus Property Pty Ltd	100	100
Abacus Allara Street Trust*	50	50
Abacus Wasjig Holdings Pty Limited*	50	50
Abacus Repository Trust*	50	50
Abacus Ventures Trust*	51	51

* These entities are wholly owned by Abacus

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

CONTINUED

20. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Subsidiaries (continued)

ENTITY	EQUITY INTEREST	
	2015 %	2014 %
<i>Abacus Trust and its subsidiaries:</i>		
Abacus 1769 Hume Highway Trust	100	100
Abacus Alderley Trust	100	100
Abacus Alexandria Trust	-	100
Abacus Ashfield Mall Property Trust	100	100
Abacus Aspley Village Trust	100	100
Abacus Australian Aggregation Holding Trust	100	100
Abacus Australis Drive Trust	100	100
Abacus Bacchus Marsh Trust	100	100
Abacus Birkenhead Point Trust	100	100
Abacus Browns Road Trust	100	100
Abacus Campbell Property Trust	100	100
Abacus Greenacre Trust	100	100
Abacus Hurstville Trust	-	100
Abacus Industrial Property Trust	-	100
Abacus Lisarow Trust	-	100
Abacus Liverpool Plaza Trust	100	100
Abacus Macquarie Street Trust	100	100
Abacus Miller Street Trust	-	100
Abacus Moorabbin Trust	-	100
Abacus Moore Street Trust	100	100
Abacus Northshore Trust 1*	25	25
Abacus Northshore Trust 2*	25	25
Abacus North Sydney Car park Trust	100	100
Abacus Oasis Trust	100	-
Abacus Premier Parking Trust	100	100
Abacus Sanctuary Holdings Pty Limited*	24	24
Abacus Shopping Centre Trust	100	100
Abacus Smeaton Grange Trust	-	100
Abacus SP Fund	100	100
Abacus Varsity Lakes Trust	100	100
Abacus Virginia Trust	100	100
Abacus Westpac House Trust	100	100
Abacus WTC Trust	100	-
Abacus 14 Martin Place Trust	100	100
Abacus 171 Clarence Street Trust	-	100
Abacus 309 George Street Trust	100	100
Abacus 33 Queen Street Trust	100	100
Abacus 710 Collins Street Trust	100	-
<i>Abacus Income Trust and its subsidiaries:</i>		
Abacus Eagle Farm Trust	100	100
Abacus Independent Retail Property Trust	75	75
Abacus Retail Property Trust	100	100
Abacus Wollongong Property Trust	100	100

* These entities are wholly owned by Abacus

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

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20. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Subsidiaries (continued)

ENTITY	EQUITY INTEREST	
	2015 %	2014 %
<i>Abacus Storage Operations Limited and its subsidiaries:</i>		
Balmain Storage Pty Limited	-	100
Abacus Storage NZ Operations Pty Limited	100	100
Abacus Storage Solutions Pty Limited	100	100
Abacus Storage Solutions NZ Pty Limited	100	100
Abacus USI C Trust	100	100
Abacus U Stow It A1 Trust	100	100
Abacus U Stow It B1 Trust	100	100
Abacus U Stow It A2 Trust	100	100
Abacus U Stow It B2 Trust	100	100
U Stow It Holdings Limited	100	100
U Stow It Pty Limited	100	100
<i>Abacus Storage Property Trust and its subsidiary:</i>		
Abacus Storage NZ Property Trust	100	100
Abacus Diversified Income Fund II	17	-
Abacus Hospitality Fund	10	10
Abacus Wodonga Land Fund	15	15

Subsidiaries controlled by the Group with material non-controlling interest

Abacus Hospitality Fund: The Group is deemed to have control of AHF based upon the aggregate impact of (a) the Group's role as responsible entity of AHF and (b) the size and variable nature of returns arising from the Group's loans to AHF (as the loans provided by the Group to AHF rank pari passu for downside but not on upside at fund wind up).

Abacus Diversified Income Fund II: The Group is deemed to have control of ADIF II due to (a) the Group's role as responsible entity of ADIF II (b) the size and variable nature of returns arising from the Group's loans to ADIF II (as the Abacus Working Capital Facility provided by the Group to ADIF II ranks pari passu on downside, but not the upside, at wind up) and (c) the capital and income guarantees made by the Group to unitholders of ADIF II under the ADIF II offer documents.

Abacus Wodonga Land Fund: The Group is deemed to have control of AWLF due to a) the Group's role as responsible entity of AWLF (waiving of fees) and (b) the Group's 15% direct interest in the fund and the relative dispersion of the remaining interests not held by the Group.

(b) Ultimate parent

AGHL has been designated as the parent entity of the Group

(c) Key management personnel

Details of payments are disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

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20. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Transactions with related parties

	2015 \$'000	2014 \$'000
Transactions with related parties other than associates and joint ventures		
Revenues		
Property management fees received / receivable	177	162
Transactions with associates and joint ventures		
Revenues		
Management fees received / receivable from joint ventures	2,459	2,040
Management fees received / receivable from associates	-	88
Distributions received / receivable from joint ventures	30,410	1,769
Interest revenue from joint ventures	3,038	1,110
Other transactions		
Loan advanced to joint ventures	(83,400)	(21,838)
Loan repayments from joint ventures	32,077	6,224
Loan advanced from joint ventures	511	2,201
Loan repayments to joint ventures	(1,421)	(4,000)

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.

Entity with significant influence

Calculator Australia Pty Ltd ("Kirsh") is a significant securityholder in the Group with a holding of approximately 49% of the ordinary securities of the Group (2014: 49%).

During the year, Abacus Property Services Pty Ltd was engaged to manage the following properties:

PROPERTY	RELATIONSHIP WITH KIRSH	CHARGE PER ANNUM	AMT \$
Birkenhead Point Shopping Centre	Tenants in common	3% of gross rental	158,304
14 Martin Place	Tenants in common	3% of gross rental	301,669
4 Martin Place	100% owned by Kirsh	3% of gross rental	176,734
Birkenhead Point Marina Pty Ltd	Joint Venture	3% of gross rental	21,213

During the year, Abacus Funds Management Limited charged an asset management fee to the following entities:

PROPERTY	RELATIONSHIP WITH KIRSH	CHARGE PER ANNUM	AMT \$
Birkenhead Point Shopping Centre	Tenants in common	0.2% of gross assets	189,836

During the year, Abacus Funds Management Limited received a performance fee of \$500,000 in relation to the sale of Birkenhead Point Shopping Centre.

Mrs Myra Salkinder is a non-executive director of the Group and is a senior executive of Kirsh.

NOTES TO THE FINANCIAL STATEMENTS

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21. KEY MANAGEMENT PERSONNEL

(a) Compensation for key management personnel

	2015 \$	2014 \$
Short-term employee benefits	6,497,887	6,481,824
Post-employment benefits	269,901	275,208
Other long-term benefits	87,905	82,540
Security-based payments	1,166,488	907,735
	8,022,181	7,747,307

(b) Loans to key management personnel

There were no loans to key management personnel and their related parties at any time in 2015 or in the prior year.

(c) Other transactions and balances with key management personnel and their related parties

During the financial year, transactions occurred 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.

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22. SECURITY BASED PAYMENTS

(a) Recognised security payment expenses

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

	2015 \$'000	2014 \$'000
Expense arising from equity-settled payment transactions	1,683	1,242

(b) Type of security - based payment plan

Security Acquisition Rights (SARs)

The deferred variable incentive plan has been designed to align the interests of executives with those of securityholders by providing for a significant portion of the remuneration of participating executives to be linked to the delivery of sustainable underlying profit that covers the distribution level implicit in the Group's security price.

Key executives have been allocated SARs in the current financial year generally equal to the last current variable incentive paid. Allocations were based on the performance assessment completed in determining current variable incentive awards for the prior financial year, adjusted to take into account other factors that the Board considers specifically relevant to the purpose of providing deferred variable incentives.

The SARs granted during the year vest as follows:

VESTING DATE	AMOUNT VESTED*	POTENTIAL NUMBER TO VEST
September 2015	One quarter of the initial issue	201,428
September 2016	One quarter of the initial issue	201,428
September 2017	One quarter of the initial issue	201,428
September 2018	One quarter of the initial issue	201,428

* The Board is able to claw back unvested SARs if the distribution level falls by more than a specified percentage below the sustainable annual distribution rate

For valuation purposes the SARs are equivalent to European call options (in that they may be "exercised" only at their maturity (i.e. vesting date)). The fair value of the SARs granted is estimated at the date of the grant using a trinomial tree model (using 500 steps) cross checked by a modified Black-Scholes model. The trinomial tree model and the Black-Scholes model generally produce the same values for an option over a non-dividend paying share, or where the option is entitled to the same distributions as are paid on the underlying security, as is assumed in this case, and if the time to exercise is the same, (i.e. at the end of the term).

When SARs vest they will convert into ABP securities on a one for one basis or at the Board's discretion a cash equivalent amount will be paid.

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22. SECURITY BASED PAYMENTS (CONTINUED)

(c) Summary of SARs granted

The following table illustrates movements in SARs during this year:

	2015 NO.	2014 NO.
Opening balance	1,596,803	929,252
Granted during the year	805,712	899,864
Vested during the year	(457,279)	(232,313)
Outstanding at the end of the year	1,945,236	1,596,803
Exercisable at the end of the year	-	-

The weighted average remaining life of the instrument at 30 June 2015 was 1.3 years (2014: 1.5 years) and the weighted average fair value of the SARs granted during the year was \$2.48 (2014: \$1.98).

The following table lists the inputs to the model used for the SARs plan for the years ended 30 June 2015 and 30 June 2014:

	2015	2014
Expected volatility (%)	20	20
Risk-free interest rate (%)	2.44 - 2.65	2.47 - 3.20
Life of instrument (years)	0.8 - 3.8	0.8 - 3.8
Model used	Trinomial	Trinomial

The expected life of the SARs is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the SARs is indicative of future trends, which may not necessarily be the actual outcome.

NOTES TO THE FINANCIAL STATEMENTS

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23. OTHER FINANCIAL LIABILITIES

Abacus*

The Group has provided the following guarantees to the ADIF II unitholders:

UNIT TYPE	CASH DISTRIBUTION YIELD GUARANTEE	CAPITAL RETURN GUARANTEE
Class A \$1.00 - Term 2	7.50% pa	\$1.00 per Unit on 30 September 2015
Class A \$1.00 - Term 3	7.75% pa	\$1.00 per Unit on 30 September 2016
Class B \$1.00	9% pa plus indexation (indexed in line with inflation in each year after 1 July 2011).	\$1.00 per Unit at Fund termination (no later than 30 June 2017).
Class C \$0.75	9% pa plus indexation (indexed in line with inflation in each year after 1 July 2011).	\$0.75 per Unit at Fund termination (no later than 30 June 2017).

The Underwritten Distributions will be achieved by deferring the interest on the Working Capital Facility or by deferring any of the fees payable to Abacus under the constitution of ADIF II (or a combination of these things) or in any other way Abacus 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 ADIF II units on issue on or after 1 July 2016 (Class B and C) and on the dates stated above for Term 2 and 3 of Class A. At the relevant time Abacus will ensure that each holder of Class A and 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 will be satisfied by a payment in cash or by Abacus issuing ABP stapled securities.

After 30 June 2016 the Group will, if required, set off all or part of the principal of the second secured Working Capital Facility loan provided to ADIF II in satisfaction of the Group's obligations in respect of the Underwritten Capital Return in respect of the Class B and Class C units.

As a result of the consolidation of ADIF II under AASB10 the underwritten capital guarantee results in ADIF II's units on issue being classified as a liability and at the end of the period the value was \$46.0 million (30 June 2014: \$47.1 million).

The offer document for ADIF II was closed in December 2011 and no further equity will be raised. The guarantee exposure on Class A units in Term 2 of \$25,000 will be paid on 30 September 2015.

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Wodonga Land Fund

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015
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24. INTANGIBLE ASSETS AND GOODWILL

	2015 \$'000	2014 \$'000
Goodwill		
Balance at 1 July	32,461	32,461
Balance at 30 June	32,461	32,461
Licences and entitlements		
At 1 July, net of accumulated amortisation	800	800
Disposal	-	-
At 30 June, net of accumulated amortisation	800	800
Total goodwill and intangibles	33,261	33,261

Description of the Group's intangible assets

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 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 licences and entitlements have been allocated to two individual cash generating units, each of which is a reportable segment, for impairment testing as follows:

- a. Funds Management - property / asset management business: the recoverable amount of the unit has been determined based on a value in use calculation using cash flow projections as at 30 June 2015 covering a five-year period.
- b. Property - or specifically the hotel assets: the recoverable amount of the indefinite life intangible assets has 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 referenced to recent market sales evidence. Accordingly, the directors' valuations at 30 June 2015 have regards to market sales evidence in adopting a market valuation for each property including the key assumptions outlined.

NOTES TO THE FINANCIAL STATEMENTS

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24. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Impairment tests for goodwill and intangibles with indefinite useful lives (continued)

(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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Goodwill	32,394	32,394	67	67	32,461	32,461
Management rights, licences and entitlements	-	-	800	800	800	800

(iii) Key assumptions used in valuation calculations

Funds Management Goodwill - the calculation of value in use is most sensitive to the following assumptions:

- Fee income: based on actual income in the year preceding the start of the budget period and actual funds under management
- Discount rates: reflects 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 of the funds/properties under management: based on the fair value of properties
- A pre-tax discount rate of 9.40% (2014: 10.80%) and a terminal growth rate of 2.7% (2014: 3%) have been applied to the cash flow projections

Hotel Intangible Assets - the calculation of the hotel valuations is most sensitive to the following assumptions:

- Hotel income: 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 with reference to market sales evidence: 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 hotel valuation at June 2015 was 14.0% (2014: 14.0%)
- Other value adding or potential attributes of the hotel assets - 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 2015 has significant head room thus reasonable changes in the assumptions such as a 0.5% change in the discount rate or a 5% fall in revenue assumptions would not cause any impairment.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015
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25. 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 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.

(b) Statement of Compliance

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

(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 except as follows:

The following amending Standards have been adopted from 1 July 2014 along with the required changes arising from improvements to AASBs 2010-2012 cycle. Adoption of these standards and interpretations did not have any material effect on the financial position or performance of the Group.

- AASB 2012-3: - Offsetting Financial Assets and Financial Liabilities

The amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group as no entities within the Group have any offsetting arrangements.

(ii) Accounting Standards and Interpretation 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 2015. These are outlined below:

- AASB 9 Financial Instruments (effective 1 January 2018 / applicable for Group 1 July 2018)

This standard includes requirement to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139 Financial Instruments: Recognition and Measurement.

The Group will review the classification of its existing financial assets and liabilities in line with the Standard, such as secured and related party loans, options and derivatives.

- Accounting for Acquisitions of Interests in Joint Operations (AASB 1 and AASB 11) (effective 1 January 2016 / applicable for Group 1 July 2016)

AASB 2014-3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:

- a. The acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and
- b. The acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

This Standard also makes an editorial correction to AASB 11.

We are currently assessing the impact of the amendment to the Group.

25. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretation issued but not yet effective (continued)

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138) (effective 1 January 2016 / applicable for Group 1 July 2016)

AASB 16 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The revision will have no impact on how the Group measures its depreciation and amortisation.

- Revenue from Contracts with Customers (effective 1 January 2017 / applicable for Group 1 July 2017)

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services).

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- a. Step 1: identify the contract(s) with a customer
- b. Step 2: identify the performance obligations in the contract
- c. Step 3: Determine the transaction price
- d. Step 4: Allocate the transaction price to the performance obligations in the contract
- e. Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Early adoption of this Standard is permitted. AASB 2015-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including interpretations) arising from the issuance of AASB 15.

The Group will review any contracts it has with customers and assess the disclosure requirements, if any, of these contracts.

- Equity Method in Separate Financial Statements (effective 1 January 2016 / applicable for Group 1 July 2016)

AASB 2014-9 amends AASB 127 Separate Financial Statements, and consequently amends AASB 1 First-time Adoption of Australian Accounting Standards and AASB 128 Investments in Associates and Joint Ventures, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.

AASB 2014-9 also makes editorial correction to AASB 127. AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.

We are currently assessing the impact of the amendment to the Group.

- Sale or Contribution of Assets between an Investor and its Associate for Joint Venture (effective 1 January 2016 / applicable for Group 1 July 2016)

AASB 201-10 amends AASB 10 Consolidated Financial Statements and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require:

NOTES TO THE FINANCIAL STATEMENTS

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25. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretation issued but not yet effective (continued)

- a. A full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and
- b. A partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

AASB 2010-10 also makes an editorial correction to AASB 10. AASB 2010-10 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.

We are currently assessing the impact of the amendment to the Group.

- Annual improvements to Australian Accounting Standards 2012-2014 Cycle (effective 1 January 2016 / applicable to Group 1 July 2016)

The subjects of the principal amendments to the Standards are set out below:

- AASB 5 Non-current Assets Held for Sale and Discontinued Operations:

Changes in methods of disposal - when an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or vice versa), an entity shall not follow the guidance in paragraphs 27-29 to account for this change.

- AASB 7 Financial Instruments: Disclosures:

Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purpose of applying the disclosure requirements in paragraph 42E - 42H of AASB 134.

Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure - Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134.

- AASB 119 Employee Benefits

Discount rate: regional market issues - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.

- AASB 134 Interim Financial Reporting

Disclosure of information 'elsewhere in the interim financial report' amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.

We are currently assessing the impact of the amendment to the Group.

- Disclosure Initiative: Amendments to AASB 101 (effective 1 January 2016 / applicable for Group 1 July 2016)

The Standard makes amendment to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosure. The amendments also clarify that the companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

25. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretation issued but not yet effective (continued)

The Group has commenced a simplification and streamlining project on the format and presentation of the APG statutory report to keep up with industry standards and current focus on reducing complexity. This is an ongoing project and the Group will assess current format in line with the Standard when adopted by the AASB.

AASB 14, AASB 2014-6, AASB 1056, AASB 2015-3, AASB 2015-4, AASB 2015-5 and AASB 2015-6 will have no application to the Group.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of AGHL and its subsidiaries, AT and its subsidiaries, AGPL and its subsidiaries, AIT and its subsidiaries, ASPT and its subsidiaries and ASOL and its subsidiaries collectively referred to as the Group.

Subsidiaries are all those entities over which the Group has power over the investee such that the Group is able to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns.

The adoption of AASB 10 in the year ended 30 June 2012 led to the consolidation of Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Miller Street Holding Trust. In the year ended 30 June 2013 the Group also consolidated Abacus Wodonga Land Fund. This is due to the combination of the Group's role as responsible entity and its exposure to variable returns arising from its collective equity and loan investments in these funds and certain guarantees.

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 are allocated their share of net profit after tax in the consolidated income statement and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Non-controlling interests represent those equity interests in Abacus Hospitality Fund, Abacus Miller Street Holding Trust, Abacus Wodonga Land Fund, 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 statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

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CONTINUED

25. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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 on translation of foreign operations 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 foreign operations 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.

(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 and Storage 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.

Hotel Income

Revenue from rooms is recognised and accrued on the provision of rooms or on the date which rooms are to be provided in accordance with the terms and conditions of the bookings. Advance deposits from customers received are not recognised as revenue until such time when the rooms have been provided or when the customers forfeit the deposits due to failure of attendance.

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.

Income from the sale of joint venture profit share rights is recognised when the Group enters into arrangements with other parties which result in the Group receiving consideration for the sale of its right to receive a profit share from the joint venture.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

CONTINUED

25. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Revenue recognition (continued)

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

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

Sale of inventory

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 Statement of Cash Flow, 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.

Collectability 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.

(j) Derivative financial instruments and hedging

The Group utilises derivative financial instruments, both foreign exchange and interest rate swaps to manage the risk associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are recognised at fair value.

The Group has set defined policies and implemented hedging policies to manage interest and exchange rate risks. Derivative instruments are transacted in line with these policies to achieve the economic outcomes in line with the Group's treasury and hedging policy. They are not transacted for speculative purposes.

The Group does not employ hedge accounting and as such derivatives are recorded at fair value with gains or losses arising from the movement in fair values recorded in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015
CONTINUED

25. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 2014 the Group's investments in listed and unlisted securities have been classified as 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.

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 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.

Financial assets at fair value through profit or loss

A financial asset or financial liability at fair value is designated by the entity at fair value through the profit and loss upon initial recognition. 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 holds investments in unlisted securities and 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 \$30.5 million (2014: \$30.5 million).

Loans and receivables

Loans and receivables 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.

Subsidiaries

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

(l) Investment in associates

The Group's investments in its associates are 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

CONTINUED

25. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investment in associates (continued)

Transactions resulting in unrealised profit in the associate are eliminated to the extent that they reduce the carrying value of the investment to nil. 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 lower of cost and recoverable amount in the parent's financial statements.

(m) Interest in joint arrangements

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 the lower of cost or recoverable amount in the investing entities.

The Group's interest in joint operations that give the parties a right to the underlying assets and obligations themselves is accounted for by recognising the Group's share of those assets and obligations.

(n) Property, plant and equipment

Hotel property, plant and equipment

Property (including land and buildings), plant and equipment represent owner-occupied properties and are initially measured at cost including transaction costs and acquisition costs. Subsequent to initial recognition, properties are measured at fair value less accumulated depreciation and any impairment in value after the date of revaluation.

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

Buildings - 50 years

Plant and equipment - 3 to 20 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.

Hotel property, plant and equipment are independently valued on an annual basis unless the underlying financing requires a more frequent independent valuation cycle.

Other 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

CONTINUED

25. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Property, plant and equipment (continued)

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

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property (including land and buildings), plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

Impairment losses are recognised in the income statement.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

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.

Other property, plant and equipment are independently valued on a staggered basis every two years unless the underlying financing requires a more frequent independent valuation cycle.

(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 and property specific conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement 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 the income statement in the year of retirement or disposal.

Investment properties under construction are carried at fair value. Fair value is calculated based on estimated fair value on completion after allowing for the remaining expected costs of completion plus an appropriate risk adjusted development margin.

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.

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.

25. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Investment properties (continued)

Land and buildings that meet the definition of investment property 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.

Investment properties are independently valued on a staggered basis every two years unless the underlying financing requires a more frequent independent valuation cycle. 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. Leasing costs and incentives are included in the carrying value of investment property and are amortised over the respective lease period, 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.

(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.

(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.

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 8 Operating Segments.

25. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Goodwill and intangibles (continued)

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 than 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 may be 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.

(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 than 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.

25. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Provisions and employee leave benefits (continued)

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. Expenses 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

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.

(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 non-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. 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

CONTINUED

25. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) 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 with the exception of investment properties which are valued in accordance with Note 25(o).

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

(y) 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. Where the net realisable value of inventory is less than cost, an impairment expense is recognised in the consolidated income statement. Reversals of previously recognised impairment charges are recognised in the consolidated income statement such that the inventory is always carried at the lower of cost and net realisable value. Cost includes the purchase consideration, development costs and holding costs such as borrowing costs, rates and taxes.

Hotel

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(z) 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.

Trust income tax

Under current Australian income tax legislation AT, AIT, ASPT, AHT, ADIF II and AMSHT are not 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, ASOL and its Australian resident wholly-owned subsidiaries and AHL and its Australian resident wholly-owned subsidiaries have formed separate tax consolidation groups. AGHL, ASOL and AHL have entered into tax funding agreements with their 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 tax entity and the controlled entities in each tax consolidated group continue to account for their own current and deferred tax amounts.

In addition to its own current and deferred tax amounts, the head tax entity 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 or payable under the tax funding agreements 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.

25. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Taxation (continued)

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.

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.

New Zealand

The trusts that operate in New Zealand ("NZ") are treated as a company for NZ income tax purposes and are taxed at the corporate tax rate of 28% (2014: 28%). NZ income tax paid by the Trusts can be claimed as foreign tax credits to offset against foreign income and distributable to security holders. NZ tax losses are carried forward provided the continuity test of ownership is satisfied. Interest expense from the Trusts are fully deductible subject to thin capitalisation considerations. Property revaluation gains or losses are to be excluded from taxable income, with no deferred tax implications as capital gains are not taxed in NZ.

Income derived by companies which are incorporated in Australia and registered in NZ as overseas companies is exempt from tax in Australia where the income has been taxed in NZ. This income is regarded as non-assessable non-exempt income. As such, income tax is calculated on the companies' NZ taxable income and taxed at the NZ corporate rate of 28% (2014: 28%).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

CONTINUED

25. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Taxation (continued)

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.

(za) Earnings per stapled security (EPSS)

Basic EPSS is calculated as net profit attributable to stapled security holders, 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 security holders, 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.

(zb) Security based payment plans

Executives of the Group receive remuneration in the form of security based payments, whereby Executives render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made, using an appropriate valuation model and is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (Note 22).

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting conditions are satisfied, provided that all other performance and / or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the security based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

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26. AUDITOR'S REMUNERATION

	2015 \$	2014 \$
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 group	1,015,101	1,030,607
- Other services in relation to the entity and any other entity in the consolidated group		
- other assurance services	64,219	79,300
- taxation related services	35,827	8,624
	1,115,147	1,118,531

27. EVENTS AFTER BALANCE SHEET DATE

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

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 2015 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 25(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 2015.

On behalf of the Board



John Thame
Chairman
Sydney, 21 August 2015



Frank Wolf
Managing Director



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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 consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 25(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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 complied with 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 follows 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.

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 About us tab on the Abacus website at www.abacusproperty.com.au.

This report is current as at 21 August 2015 and has been approved by the board.

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 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

The Selection and Appointment of Non-Executive Directors Policy sets out the procedures followed when considering the appointment of a new director and the disclosures made to securityholders.

The Selection and Appointment of Non-Executive Directors Policy is available on the Abacus website.

Recommendation 1.3

The Board Charter sets out the roles and responsibilities of the board. Individual committee charters set out the roles and responsibilities for committee members.

The Board Charter and the Constitutions (which are available on the Abacus website) set out:

- the term of appointment of directors;
- remuneration;
- Abacus' policy on when directors may seek independent professional advice at Abacus' expense;
- circumstances in which a director's office becomes vacant;
- indemnity and insurance arrangements; and
- rights of access to corporate information.

Prior to commencing employment, senior executives employment receive a letter of offer setting out their employment terms that they are required to accept prior to commencing employment with Abacus which covers these things (to the extent applicable) as well as a position description, whom they report to and circumstances in which they may be terminated.

Directors and all staff (including senior executives) sign an annual Code of Conduct Declaration which includes (among other things) confirmation of any conflicts of interest, compliance obligations with the Abacus Trading Policy and ongoing confidentiality obligations.

Recommendation 1.4

The Board Charter and the Constitutions (which are available on the Abacus website) set out the role and responsibilities of the company secretary.

Recommendation 1.5

The board is committed to workplace diversity, with a particular focus on supporting the representation of women at a senior level of the Group and on the board. The Diversity Policy is available on the Abacus website and the Sustainability Report included in the Annual Report provides workplace metrics including gender composition and female salaries as a percentage of male salaries.

The board set as a target in 2011 having at least one female representative at board level. In the current period, Abacus has recruited from a diverse pool of candidates for all positions filled during the year and has a number of employees with flexible employment arrangements to take account of domestic responsibilities.

In 2015 Abacus became a 'relevant employer' under the Workplace Gender Equality Act. Abacus has met the reporting obligations under that legislation.

Recommendation 1.6

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 that policy.

Recommendation 1.7

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

The Remuneration Report at page 45 sets out the structure of the remuneration arrangements. In summary, executive total remuneration comprises fixed and variable components (with both current and deferred elements to the variable component). Fixed remuneration reflects market rates and variable pay reflects a combination of individual and Abacus performance.

The board has the discretion to consider each executive's total contribution to the group in addition to specific key performance indicators which are established for each executive for the relevant year.

An annual review has taken place in the reporting period in accordance with the Remuneration Report structure.

Principle 2: Structure the board to add value

Recommendation 2.1

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 43.

The Chairman of the committee is independent.

The Nomination and Remuneration Committee Charter is available on the Abacus website.

Recommendation 2.2

Abacus has a board skills matrix which is reviewed and updated as part of the annual review process set out in response to Recommendation 1.6 above. The current skills matrix shows the current Board have skills in the following relevant areas:

- Financial reporting;
- Technological innovation;
- Storage markets;
- Property markets;
- Listed markets;
- International markets;
- Foreign investment;
- Joint ventures;
- Information security;
- Financial markets;
- Hospitality markets;
- Governance;
- Regulatory compliance; and
- Capital investment.

The board considers that the current mix of skills is appropriate for the Group.

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 page 42.

Recommendation 2.3

The board comprises one executive director and five non-executive directors. The majority of the board (Messrs Thame, Bartlett, Irving and Spira) 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;
- has not within the previous three years been employed in any executive capacity;
- 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;
- does not have close family ties with any person who falls within any of the categories described;
- has not been a director of the entity for such a period that their independence may have been compromised;
- 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.

No independent non-executive director has a relationship significant enough to compromise their independence on the board. Non-executive directors confer regularly without management present.

Any change in the independence of a non-executive director would be disclosed and explained to the market in a timely manner.

The independence of each non-executive director is assessed at least annually and in any case, as soon as practicable after any change in the non-executive director's interests, positions, associations or relationships.

Detail of the length of service of each director is set out on page 42.

Recommendation 2.4

The majority of the board (Messrs Thame, Bartlett, Irving and Spira) are independent members.

Recommendation 2.5

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

The roles of Chairman and 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.

Recommendation 2.6

The Selection and Appointment of Non-Executive Directors Policy provides for induction training for new directors.

Abacus has a board skills matrix which is reviewed and updated as part of the annual review process set out in response to Recommendation 1.6 above including a training needs analysis of individual directors.

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 page 42.

Principle 3: Act ethically and responsibly

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 Abacus website.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1

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 43. Details of the skills, experience and expertise of each member of the committee are set out on page 42. Other directors who 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 that 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 Abacus website.

Recommendation 4.2

Before approving the financial statements for a financial period, the board receives from the Managing Director and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control that is operating effectively

Recommendation 4.3

The external auditor attends the Abacus annual general meeting and is available at the meeting to answer questions from securityholders relevant to the audit.

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 Securityholder Communications Policy is available on the Abacus website.

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, as well as a corporate governance landing page from which all relevant corporate governance information can be accessed. The Abacus website also includes webcasts of the results briefings.

The Group keeps a summary record for internal use of the issues discussed at group and one-on-one briefings with investors and analysts, including a record of those present where appropriate.

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

Recommendation 6.2

The Continuous Disclosure and Securityholder Communications Policy, which is available on the Abacus website, sets out Abacus' communication strategy with securityholders.

Routine queries received by the Group's registry are responded to by the registry. Non-routine queries are directed to the Group's Head of Investor Relations for response. Securityholders, other financial market participants and the financial media also communicate directly with the Head of Investor Relations to seek information and provide feedback. Relevant feedback is communicated by the Head of Investor Relations to the Managing Director and the board as required.

Recommendation 6.3

Abacus' annual general meeting is webcast to allow securityholders to hear proceedings online. There is also the functionality for investors to participate.

Securityholders may vote online, by proxy or by attending meetings.

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

Recommendation 6.4

Securityholders may elect to receive and send communications to Abacus and to the Group's registry electronically. Email contact details for the registry are provided on the Abacus website.

Principle 7: Recognise and manage risk

Recommendation 7.1 and 7.2

The Audit and Risk Committee has responsibility for reviewing the Group's risk management framework. The members of the committee and their attendance at meetings are provided on page 43.

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. This review has been completed in the reporting period.

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

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.

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 independent consultant has been engaged to review business processes and undertake formal internal audit assessments throughout the year. These assessments are provided to the Audit and Risk Committee for review.

Recommendation 7.3

An independent consultant has been engaged to review business processes and undertake formal internal audit assessments throughout the year. These assessments are provided to the Audit and Risk Committee for review.

Recommendation 7.4

The Sustainability Report outlines the impact that Abacus' business activities have on environmental, social and governance risks.

Abacus's Sustainability Protocol and Sustainability Reports, which are available on the Abacus website and in the annual report, include a commitment to implementing sustainability practices in Abacus' investments, property management, development activities and workplaces. Abacus uses these practices to manage risks, create opportunities and strengthen operations.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 and 8.2

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 Abacus website. The Chairman of the Nomination and Remuneration Committee is independent and the Committee has a majority of independent members.

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

The Nomination and Remuneration Committee may seek input from individuals on remuneration policies but no individual employee is directly involved in deciding their own remuneration.

The members of the committee and their attendance at meetings are provided on page 43.

Non-executive directors are paid fees for their service and do not participate in other benefits (with the exception of Group travel insurance cover) which may be offered other than those which are statutory requirements.

Recommendation 8.3

Abacus's Trading Policy is on the Abacus website.

The Trading Policy sets out restrictions on trading by all directors, officers, and other staff, including restrictions on the use of derivatives and hedging transactions in relation to Abacus securities.

ASX ADDITIONAL INFORMATION

Abacus Property Group is made up of the Abacus Trust, Abacus Income Trust, Abacus Storage Property Trust, Abacus Group Holdings Limited, Abacus Group Projects Limited and Abacus Storage Operations Limited. The responsible entity of the Abacus Trust and Abacus Income Trust is Abacus Funds Management Limited. The responsible entity of the Abacus Storage Property Trust is Abacus Storage Funds Management Limited. Unless specified otherwise, the following information is current as at 20 August 2015.

Number of holders of ordinary fully paid stapled securities	7,550
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	408
Secretary, Abacus Funds Management Limited Secretary, Abacus Storage Funds Management Limited Secretary, Abacus Group Holdings Limited Secretary, Abacus Group Projects Limited Secretary, Abacus Storage Operations Limited	Ellis Varejes
Registered office Abacus Funds Management Limited Abacus Storage Funds Management Limited Abacus Group Holdings Limited Abacus Group Projects Limited Abacus Storage Operations Limited	Level 34, Australia Square 264-278 George Street Sydney NSW 2000 612 9253 8600
Registry	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 61 (2) 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	252,981,605

ASX ADDITIONAL INFORMATION

30 JUNE 2015

CONTINUED

SECURITIES REGISTER

NUMBER OF SECURITIES	NUMBER OF SECURITYHOLDERS	TOTAL SECURITIES
1-1,000	1,228	451,534
1,001-5,000	2,649	7,747,192
5,001-10,000	1,663	12,207,833
10,001-100,000	1,938	42,945,217
100,001-over	72	490,490,391
Totals	7,550	553,842,167

TOP 20 LARGEST SECURITYHOLDINGS

HOLDER NAME	NUMBER OF SECURITIES	% ISSUED SECURITIES
CITICORP NOMINEES PTY LIMITED	182,963,185	33.035
J P MORGAN NOMINEES AUSTRALIA LIMITED	69,422,314	12.535
CALCULATOR AUSTRALIA PTY LIMITED <CALCULATOR AUSTRALIA A/C>	62,048,624	11.203
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	49,588,585	8.954
CALCULATOR AUSTRALIA PTY LIMITED <CALCULATOR AUSTRALIA A/C>	44,322,630	8.003
NATIONAL NOMINEES LIMITED	26,737,588	4.828
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	13,407,125	2.421
BNP PARIBAS NOMS PTY LTD <DRP>	9,775,923	1.765
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <APN A/C>	7,682,332	1.387
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	3,168,239	0.572
QUOTIDIAN NO 2 PTY LIMITED	2,240,715	0.405
PLUTEUS (NO 164) PTY LIMITED	1,366,024	0.247
F M WOLF PTY LIMITED	1,279,360	0.231
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	1,249,736	0.226
NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	1,212,106	0.219
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,014,182	0.183
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	768,428	0.139
BNP PARIBAS NOMS (NZ) LTD <DRP>	707,641	0.128
AMP LIFE LIMITED	684,452	0.124
POWERWRAP LIMITED <SCHEME - IML TRADES A/C>	640,252	0.116

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