



**Abacus Trust**  
Responsible Entity  
Abacus Funds Management Limited  
ABN 66 007 415 590

**Abacus Group Holdings Limited**  
ABN 31 080 604 619

20 August 2003

## **ABACUS PROPERTY GROUP (ABP) Results Announcement**

Abacus Property Group is pleased to announce an after tax profit of \$33.8 million for the year ended 30 June 2003. This exceeds the forecast in our prospectus dated 15 October 2002 by \$4.8 million.

The full year distribution per stapled security of 10.5 cents reflects a 7.7% increase on the 9.75 cents paid during the year ended 30 June 2002. This distribution was paid in full by the Abacus Trust and provided a dividend yield of 8.6% on the security price at year end. The Group now has retained earnings of \$9.78 million.

|   | Year ended<br>30 June 2003 | Year ended<br>30 June 2002 |
|---|----------------------------|----------------------------|
| Total equity (\$'000)   | 290,581                    | 165,824                    |
| Total assets (\$'000)   | 414,195                    | 337,882                    |
| Total revenue (\$'000) – NOTE 1   | 140,745                    | 31,633                     |
| Net profit after tax (\$'000)   | 33,808                     | 14,039                     |
| Gearing (%)   | 26.2                       | 48.8                       |
| Number of stapled securities on issue   | 270,420                    | 164,867                    |
| Net tangible assets per stapled security (\$) – NOTE 2  | 0.95                       | 1.01                       |
| Basic earnings per stapled security (cents) – NOTE 3  | 13.9                       | 9.67                       |
| Earnings per stapled security including realised capital profits transferred from asset revaluation reserve (cents) | 14.74                      | 9.67                       |
| Distribution per stapled security (cents)   | 10.5                       | 9.75                       |
| Stapled security price (\$) – NOTE 4  | 1.22                       | 1.05                       |

NOTE 1: INCLUDES PROPERTY SALES DURING THE YEAR ENDED 30 JUNE 2003 OF \$99 MILLION (NIL IN 2002).

NOTE 2: REDUCTION IN NTA REFLECTS THE ACQUISITION OF ABACUS FUNDS MANAGEMENT LIMITED IN OCTOBER 2002.

NOTE 3: BASED ON WEIGHTED AVERAGE OF SECURITIES OVER THE PERIOD, WHICH INCLUDED THE COMPLETION OF TWO CAPITAL RAISINGS. DOES NOT INCLUDE REALISED CAPITAL PROFITS OF \$2.04 MILLION TRANSFERRED FROM THE ASSET REVALUATION RESERVE.

NOTE 4: THE CLOSING PRICE OF APG SECURITIES WAS \$1.22 AS AT 30 JUNE 2003; THE ISSUE PRICE OF APG SECURITIES UNDER THE PROSPECTUS OPEN AT 30 JUNE 2002 WAS \$1.05.

## RESULTS ANNOUNCEMENT

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Managing Director, Mr David Bastian, said the result reflected a year of exceptional growth in which the Group:

- ☐ Raised additional equity of \$69 million.
- ☐ Acquired Abacus Funds Management Limited and Abacus Property Services Pty Limited in October 2002, increasing the diversification of the Group's income streams by adding funds management, transactional fee income, property and project management to its principal activities.
- ☐ Listed on the Australian Stock Exchange on 14 November 2002.
- ☐ Reduced gearing from 48.8% to 26.2% through the issue of equity and sale of properties as the Group took advantage of the strengthening market to reposition its portfolio.
- ☐ Launched the Abacus Diversified Income Fund in June 2003 with initial assets of approximately \$60 million.
- ☐ Increased distributions by 7.7%.
- ☐ Increased total assets under management to in excess of \$550 million.
- ☐ Increased retained earnings from (\$162,000) to \$9,785,000. Of this amount, \$2,215,000 is retained in the Abacus Trust while the balance of \$7,570,000 is retained by Abacus Group Holdings Limited.

"Most areas of the business performed ahead of expectations during the year and the Group is well-positioned to continue to deliver sound returns from its diversified investment portfolio" Mr Bastian said.

For those investors who held securities for the full year, the total return has been 26.2% compared with 12.15% for the S&P/ASX 200 Property Trusts Index.

Yours faithfully,



**David J Bastian**  
Managing Director

# Appendix 4E - Preliminary final report

For the year ended 30 June 2003

Previous corresponding period the year ended 30 June 2002

**Abacus Property Group comprising Abacus Group Holdings Limited (ABN 31 080 604 619) and Abacus Trust (ARSN 096 572 128) managed by Abacus Funds Management Limited (ABN 66 007 415 590)**

## Results for Announcement to the Market

|   |         | \$'000     |
|---|---------|------------|
| Revenues from ordinary activities                                 | up 345% | to 140,745 |
| Profit from ordinary activities after tax attributable to members | up 140% | to 33,808  |
| Net profit for the period attributable to members                 | up 140% | to 33,808  |

## Final and interim distributions

Distributions were paid in full from the Abacus Trust which does not pay tax, hence there were no franking credits attached.

|  | cents per security |
|--|--------------------|
| Final distribution June 2003 quarter                           | 2.625              |
| Interim distribution March 2003 quarter                        | 2.625              |
| Second interim distribution December 2002 quarter <sup>1</sup> | 1.330              |
| First interim distribution December 2002 quarter <sup>1</sup>  | 1.295              |
| Interim distribution September 2002 quarter                    | 2.625              |
| <b>TOTAL</b>   | <b>10.500</b>      |

1. The December quarter distribution was split because of the capital raising and listing during this period.

The record date for determining entitlements to the final distribution was 30 June 2003.

## Explanation

Key factors underpinning the increase in revenue and profit were the:

- ☐ acquisition of Abacus Funds Management Limited (and its subsidiary Abacus Property Services Pty Limited) in October 2002 adding income from funds, property and project management
- ☐ contribution of rental income from properties acquired in late 2002
- ☐ sale of investment properties; and
- ☐ sale of retail strata, leasehold interest in the carpark and initial commercial strata of 109 Pitt Street, Sydney.

**Combined Statement of Financial Performance**

|   |   | AGGREGATED     |               |
|---|---|----------------|---------------|
|   |   | Jun-03         | Jun-02        |
| Notes   |   | \$'000         | \$'000        |
| <b>REVENUES FROM ORDINARY ACTIVITIES</b>  |   |                |               |
| Property rental income  |   | 30,038         | 27,954        |
| Property sales  |   | 98,864         | -             |
| Financing   |   |                |               |
| Interest income   |   | 6,984          | 3,162         |
| Fees  |   | 458            | -             |
| Property and Funds Management   |   |                |               |
| External property management fees   |   | 128            |               |
| External funds management fees  |   | 734            |               |
| External consulting and other fees  |   | 2,589          |               |
| Other income – bank interest  |   | 950            |               |
| <b>Total Revenues from Ordinary Activities</b>  |   | <b>140,745</b> | <b>31,633</b> |
| Income from Neutral Bay joint venture (equity-accounted)  |   | 781            | 1             |
| <i>Less Expenses</i>  |   |                |               |
| Depreciation and amortisation expenses  | 1 | (1,660)        | (21)          |
| Carrying amount of properties disposed (before borrowing and administration expenses)   |   | (79,888)       | -             |
| Borrowing costs expense   |   | (10,737)       | (10,790)      |
| Salaries and employee benefits expense  | 2 | (3,207)        | -             |
| Bad and doubtful debts  |   | (271)          | (962)         |
| Other expenses from ordinary activities   |   | (8,678)        | (5,822)       |
| <b>Profit from ordinary activities before income tax expense</b>  |   | <b>37,085</b>  | <b>14,039</b> |
| Company income tax expense  |   | (3,277)        | -             |
| <b>Net profit attributable to APG security-holders</b>  |   | <b>33,808</b>  | <b>14,039</b> |
| Increase in asset revaluation reserve   |   | 9,317          | 5,145         |
| <b>Total revenues, expenses, and valuation adjustments attributable to APG security-holders and recognised directly in equity</b> |   | <b>9,317</b>   | <b>5,145</b>  |
| <b>Total changes in equity other than those resulting from transactions with stapled security-holders as owners</b>               |   | <b>43,125</b>  | <b>19,184</b> |
| <b>Payment of distribution</b>  |   | <b>25,900</b>  | <b>14,181</b> |
| <b>Basic and diluted earnings per stapled security (cents)</b>  |   | <b>13.90</b>   | <b>9.67</b>   |

**Notes to Combined Statement of Financial Performance**

1. Depreciation and amortisation expenses

|  | \$'000       |
|--|--------------|
| Amortisation of intangibles              | 1,594        |
| Depreciation of AFM plant & equipment    | 41           |
| Amortisation of other non-current assets | 25           |
| <b>Total</b>                             | <b>1,660</b> |

2. Salaries and employee benefits expense reflect the staffing costs of Abacus Funds Management Limited, acquired on 1 October 2002.

**ABACUS PROPERTY GROUP****Appendix 4E - Preliminary final report**

For the year ended 30 June 2003

**Combined Statement of Financial Position**

|   |              | <b>AGGREGATED</b>        |                          |
|---|--------------|--------------------------|--------------------------|
|   | <b>Notes</b> | <b>Jun-03<br/>\$'000</b> | <b>Jun-02<br/>\$'000</b> |
| <b>CURRENT ASSETS</b>                             |              |                          |                          |
| Cash assets                                       | 1            | 29,166                   | 2,716                    |
| Receivables                                       | 2            | 17,810                   | 6,385                    |
| Investment properties                             |              | 18,506                   | -                        |
| Loans   |              | 31,137                   | 14,415                   |
| Other   |              | 1,035                    | 1,388                    |
| <b>Total Current Assets</b>                       |              | <b>97,654</b>            | <b>24,904</b>            |
| <b>NON - CURRENT ASSETS</b>                       |              |                          |                          |
| Property, plant and equipment                     |              | 177                      | -                        |
| Investment properties                             | 3            | 243,388                  | 300,854                  |
| Investments accounted for using the equity method |              | 4,504                    | 1,501                    |
| Other financial assets                            | 4            | 34,114                   | 10,611                   |
| Deferred tax assets                               |              | 172                      | -                        |
| Intangible assets                                 | 5            | 34,169                   | -                        |
| Other   |              | 17                       | 12                       |
| <b>Total Non-Current Assets</b>                   |              | <b>316,541</b>           | <b>312,978</b>           |
| <b>TOTAL ASSETS</b>                               |              | <b>414,195</b>           | <b>337,882</b>           |
| <b>CURRENT LIABILITIES</b>                        |              |                          |                          |
| Payables  |              | 4,274                    | 3,136                    |
| Interest-bearing liabilities                      | 6            | 40,975                   | 49,625                   |
| Current tax liabilities                           |              | 3,223                    | -                        |
| Provisions  | 7            | 7,314                    | 4,143                    |
| <b>Total Current Liabilities</b>                  |              | <b>55,786</b>            | <b>56,904</b>            |
| <b>NON-CURRENT LIABILITIES</b>                    |              |                          |                          |
| Interest-bearing liabilities                      | 6            | 67,500                   | 115,155                  |
| Provision for non-current employee entitlements   |              | 328                      | -                        |
| <b>Total Non-Current Liabilities</b>              |              | <b>67,828</b>            | <b>115,155</b>           |
| <b>TOTAL LIABILITIES</b>                          |              | <b>123,614</b>           | <b>172,059</b>           |
| <b>NET ASSETS</b>                                 |              | <b>290,581</b>           | <b>165,823</b>           |
| <b>EQUITY</b>                                     |              |                          |                          |
| Contributed equity                                | 8            | 266,334                  | 160,840                  |
| Asset revaluation reserve                         |              | 14,462                   | 5,145                    |
| Retained earnings/(accumulated losses)            | 9            | 9,785                    | (162)                    |
| <b>Total Equity</b>                               |              | <b>290,581</b>           | <b>165,823</b>           |

**ABACUS PROPERTY GROUP****Appendix 4E - Preliminary final report**

For the year ended 30 June 2003

**Notes to Combined Statement of Financial Position**

1. Refer to Combined Statement of Cash Flows on page 5.

2. Receivables

|  | \$'000        |
|--|---------------|
| Contracts exchanged on 109 Pitt Street but not settled | 10,296        |
| Other debtors  | 7,514         |
| <b>Total</b>   | <b>17,810</b> |

3. Investment properties

| Primary movements                                   | \$'000 |
|---|--------|
| Sale of: CUB Office building, Brisbane              | 14,250 |
| 60 Albert Road, Melbourne                           | 32,320 |
| 109 Pitt Street retail strata and carpark leasehold | 27,980 |
| Purchase of:  |        |
| 4-8 Jacobs Street Bankstown                         | 5,147  |
| Plant & equipment                                   | 4,980  |
| Refurbishment costs of 109 Pitt Street, Sydney      | 7,872  |

4. Other financial assets

|   | \$'000        |
|---|---------------|
| Non-current loans (less \$1.5 million general provision for doubtful debts) | 27,289        |
| Unlisted property securities  | 6,825         |
| <b>Total</b>  | <b>34,114</b> |

5. Intangible assets

|  | \$'000        |
|--|---------------|
| Goodwill on acquisition of Abacus Funds Management Limited | 35,763        |
| Accumulated amortisation                                   | (1,594)       |
| <b>Total</b>   | <b>34,169</b> |

6. Interest-bearing liabilities

| Swap maturity dates | \$'000         |
|---------------------|----------------|
| Current             | 19,375         |
| Maturing FY 2004    | 16,250         |
| Maturing FY 2007    | 21,000         |
| Maturing FY 2008    | 28,850         |
| Maturing FY 2010    | 23,000         |
| <b>Total</b>        | <b>108,475</b> |

Note: the Statement of Financial Position is based on loan maturity dates rather than swap maturities.

Debt repayment funded by the capital raisings and property sales has reduced gearing from 48.8% to 26.2%.

7. Provisions

|                                 | \$'000       |
|---------------------------------|--------------|
| Provision for distribution      | 7,099        |
| Employee entitlements (current) | 215          |
| <b>Total</b>                    | <b>7,314</b> |

8. Contributed Equity

| Securities issued                              | \$'000         |
|--|----------------|
| Equity at 30 June 2002                         | 160,840        |
| Equity raising via prospectus                  | 68,972         |
| Purchase of 101 Pirie Street                   | 8,310          |
| Acquisition of Abacus Funds Management Limited | 31,500         |
| Distribution reinvestment plan                 | 292            |
| Less transaction costs                         | (3,580)        |
| <b>Total Contributed Equity</b>                | <b>266,334</b> |

9. Refer to table on Retained Earnings at page 6.

**Combined Statement of Cash Flows**

|   |              | <b>AGGREGATED</b>         |                           |
|---|--------------|---------------------------|---------------------------|
|   | <b>Notes</b> | <b>June 03<br/>\$'000</b> | <b>June 02<br/>\$'000</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>               |              |                           |                           |
| Income receipts   | 1            | 48,683                    | 22,920                    |
| Interest received   |              | 951                       | 517                       |
| GST received/(paid)                                       |              | 1,526                     | (761)                     |
| Income tax expense paid                                   |              | (954)                     | -                         |
| Audit fees  |              | (70)                      | (26)                      |
| Responsible entity's fee paid                             |              | (283)                     | (1,001)                   |
| Custodian's fee paid                                      |              | (63)                      | (31)                      |
| Borrowing costs   |              | (10,574)                  | (10,749)                  |
| Merger and listing costs                                  |              | (628)                     | -                         |
| Operating payments  |              | (6,904)                   | (627)                     |
| <b>Net cash flows from/(used in) operating activities</b> |              | <b>31,684</b>             | <b>10,242</b>             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>               |              |                           |                           |
| Payments for loans and securities                         |              | (65,344)                  | (35,315)                  |
| Proceeds from loan investments                            |              | 22,720                    | -                         |
| Purchase of controlled entities                           | 2            | (4,308)                   | -                         |
| Purchase of investment properties                         | 3            | (16,500)                  | (46,043)                  |
| Disposal of investment properties                         | 4            | 77,290                    | -                         |
| <b>Net cash flows from/(used in) operating activities</b> |              | <b>13,858</b>             | <b>(81,358)</b>           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>               |              |                           |                           |
| Proceeds from issue of stapled securities                 | 5            | 68,972                    | 26,474                    |
| Payment of equity-raising and establishment fees          |              | (3,798)                   | (2,742)                   |
| Repayments of borrowings                                  |              | (61,481)                  | (37,724)                  |
| Proceeds from borrowings                                  |              | -                         | 92,693                    |
| Distributions paid  |              | (22,785)                  | (13,297)                  |
| <b>Net cash flows from/(used in) financing activities</b> |              | <b>(19,092)</b>           | <b>65,404</b>             |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>               |              | <b>26,450</b>             | <b>(5,712)</b>            |
| Add opening cash brought forward                          |              | 2,716                     | 8,428                     |
| <b>Closing cash brought forward</b>                       |              | <b>29,166</b>             | <b>2,716</b>              |

**Notes to Combined Statement of Cash Flows**

- The increase in income receipts reflects the addition of income streams through the acquisition of Abacus Funds Management Limited and growth in income from financing activities.
- Purchase of controlled entities reflects the net cash component of acquisition of Abacus Funds Management Limited and the Abacus Pirie Street Property Trust.

**3. Purchase of investment properties**

|  |               |
|--|---------------|
| <b>Cash component of purchases</b>             | <b>\$'000</b> |
| 4-8 Jacobs Street Bankstown                    | 5,147         |
| Plant & equipment                              | 3,481         |
| Refurbishment costs of 109 Pitt Street, Sydney | 7,872         |
| <b>Total</b>                                   | <b>16,500</b> |

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For the year ended 30 June 2003

**4. Disposal of investment properties**

| <b>Cash component of disposals</b>                          | <b>\$'000</b> |
|---|---------------|
| CUB Office building, Brisbane                               | 14,250        |
| 60 Albert Road, Melbourne                                   | 32,320        |
| 101 Pirie Street, Adelaide                                  | 14,250        |
| 109 Pitt Street retail strata and initial commercial strata | 16,470        |
| <b>Total</b>  | <b>77,290</b> |

**5. Proceeds from issue of stapled securities**

|                                   | <b>\$'000</b> |
|-----------------------------------|---------------|
| Prospectus dated 10 December 2001 | 28,272        |
| Prospectus dated 15 October 2002  | 40,700        |
| <b>Total</b>                      | <b>68,972</b> |

**Distributions**

|   | <b>cents per security</b> | <b>\$'000</b> |
|---|---------------------------|---------------|
| Final distribution paid on 12 August 2003     | 2.625                     | 7,099         |
| Interim distribution paid 9 May 2003          | 2.625                     | 7,098         |
| Interim distribution paid 13 February 2003    | 1.330                     | 3,596         |
| Interim distribution paid on 17 December 2002 | 1.295                     | 3,023         |
| Interim distribution paid on 8 November 2002  | 2.625                     | 5,084         |
| <b>Total</b>                                  | <b>10.50</b>              | <b>25,900</b> |

No foreign-sourced income was included in the above distributions.

**Distribution Reinvestment Plan**

Security-holders were given the opportunity to reinvest their distributions in the Group effective from the March 2002 quarter. The Distribution Reinvestment Plan was suspended in November 2002 prior to the Group's listing. During the period of its operation (which spanned two reporting periods), a total of \$353,621 was reinvested by security-holders who were issued a total of 355,565 stapled securities.

**Retained Earnings**

|   | <b>\$'000</b> |
|---|---------------|
| Balance at the beginning of the year                            | (162)         |
| Net profit  | 33,808        |
| Capital profits (realised portion of asset revaluation reserve) | 2,039         |
| <b>Total available for appropriation</b>                        | <b>35,685</b> |
| <b>Distributions provided for or paid</b>                       | <b>25,900</b> |
| <b>Balance at end of year</b>                                   | <b>9,785</b>  |



**ABACUS PROPERTY GROUP****Appendix 4E - Preliminary final report**

For the year ended 30 June 2003

**Net Tangible Assets per Stapled Security**

|  | <b>2003</b> | <b>2002</b> |
|--|-------------|-------------|
| Net tangible assets per stapled security | \$0.95      | \$1.01      |

The decrease in the net tangible assets per stapled security in the year ended 30 June 2003 reflects the goodwill component of the acquisition of Abacus Funds Management Limited by Abacus Group Holdings Limited in October 2002 less the increase in retained earnings and the increase in asset revaluation reserve.

**Controlled Entities**

| <b>Entity</b>   | <b>Date Acquired</b> | <b>2003 Profit from<br/>ordinary activities<br/>\$'000</b> |
|---|----------------------|--|
| Abacus Funds Management Limited and<br>Abacus Property Services Pty Limited                       | 1 October 2002       | 3,657<br><i>9 months</i>                                   |
| Abacus Pirie Street Property Trust and<br>Abacus Pirie Street Trust<br><i>Net Property Income</i> | 1 July 2002          | 1,114<br><i>10 months*</i>                                 |
| <b>Total</b>  |                      | <b>4,771</b>   |

\*The property owned by the Abacus Pirie Street Property Trust was sold on 30 April 2003 at a profit of \$1.05 million.

**Associated Entities**

At 30 June 2003, Abacus Property Group had interests in the following entities:

|  | <b>% Ownership</b> |
|--|--------------------|
| The Mascot Unit Trust                  | 50%                |
| Abacus Private Equity Fund Neutral Bay | 50%                |
| Lismor Bondi Pty Ltd                   | 50%                |
| Abacus Rosebery Property Trust         | 50%                |
| Hornsby Joint Venture                  | 33%                |
| Willoughby Development Trust           | 50%                |
| The Queen Street Development Trust     | 50%                |
| Cronulla Property Trust                | 50%                |

These entities are engaged in the acquisition and development of commercial and residential properties intended for resale. No profits from these entities have been taken up in the 2003 accounts (other than \$781,000 from the Abacus Private Equity Fund Neutral Bay) owing to the development nature of the projects.

## Commentary on Results

### Earnings per stapled security

|   | 2003  | 2002 |
|---|-------|------|
| Basic earnings per stapled security (cents) | 13.90 | 9.67 |

The basic earnings per stapled security does not include the realised portion of, or increments in, the asset revaluation reserve.

### Returns to security-holders

The total distribution for the year was 10.5 cents per stapled security. The market price of the stapled security increased from \$1.05 at 1 July 2002 to \$1.22 at 30 June 2003. Therefore the total return to Abacus Property Group security-holders was 26.2% over the year.

### Significant features of operating performance

The Abacus Property Group sold the following investment properties during the year:

- ❑ CUB Office, Brisbane in November 2002 for \$14.25 million.
- ❑ 60 Albert Road, Melbourne in March 2003 for \$32.32 million.
- ❑ 101 Pirie Street, Adelaide in April 2003 for \$14.25 million.
- ❑ the retail strata of 109 Pitt Street Sydney in September 2002 for a total amount of \$15.98 million and the leasehold interest in the carpark of the property in June 2003 for \$12 million.

The sale of the commercial strata suites in the office tower of 109 Pitt Street, currently undergoing extensive refurbishment, has commenced.

Over \$26 million in new loans were written by the Abacus Mortgage Fund with approximately \$22 million repaid, increasing total loans from \$30 million at 30 June 2002 to \$34 million at 30 June 2003 and net mortgage income from \$2.02 million to \$5.45 million. During the year, the Abacus Property Group provided interim funding of \$22.45 million to the Abacus Diversified Income Fund (a new unlisted diversified group) which will be progressively repaid from funds raised from the public.

In addition to other reported earnings, fund and property management fees of approximately \$3.1 million were payable by the Group to Abacus Funds Management and Abacus Property Services. If these entities had not been acquired during the year, these fees would have been a net expense of the Group.

### Segment operating results

*Property Rental Income* includes the rental income from all properties held by the Abacus Property Group.

*Property Sales* includes proceeds from the sale of investment and development properties.

*Financing* includes interest income from lending activities plus income from joint ventures.

*Property and Funds Management* includes the fee and other income earned by Abacus Funds Management Limited and Abacus Property Services Pty Limited.

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For the year ended 30 June 2003

| Business segments                            | Year ended<br>30 June 2003 |                  | Year ended<br>30 June 2002 |                  |
|--|----------------------------|------------------|----------------------------|------------------|
|  | Revenue<br>\$'000          | Profit<br>\$'000 | Revenue<br>\$'000          | Profit<br>\$'000 |
| Property Rental Income                       | 30,038                     | 19,118           | 27,953                     | 21,923           |
| Property Sales                               | 98,863                     | 17,525           | -                          | -                |
| Financing                                    | 8,223                      | 7,103            | 3,163                      | 2,134            |
| Property and Funds Management                | 3,451                      | 3,126            | -                          | -                |
|  | 140,575                    | 46,872           | 31,116                     | 24,057           |
| Combined entity adjustments                  |                            |                  |                            |                  |
| Interest income                              | 951                        | 951              | 517                        | 517              |
| Income tax                                   |                            | (3,277)          |                            | -                |
| Borrowing costs                              |                            | (10,738)         |                            | (10,535)         |
| Combined entity revenue and operating profit | 141,526                    | 33,808           | 31,633                     | 14,039           |

**Trends in Performance**

Profitability of the Abacus Property Group exceeded the projected profit in the prospectus dated 15 October 2002 by \$4.8 million and reflected the underlying strength of each of the core business activities.

*Property Rental Income*

Rental income has increased as a result of properties acquired late in the 2002 financial year balancing the loss of income resulting from sales during the year under review.

*Property Sales*

The Group took advantage of the strengthening market to reposition its portfolio and continued the strata sell down of the property at 109 Pitt Street Sydney. Revenue from property sales in the year ending 30 June 2004 will include sales of the commercial strata at 109 Pitt Street.

*Financing*

The Abacus Mortgage Fund increased its level of assets by a net \$3.9 million over the year under review and increased net income by \$3.43 million. The Abacus Property Group also funded the initial portfolio of the Abacus Diversified Income Fund prior to the issue of a prospectus/product disclosure statement in June 2003. These funds are now being progressively repaid as subscriptions are received.

*Property and Funds Management*

As a result of the acquisition of Abacus Funds Management Limited, additional income has been generated from funds management, property management and transactions for the nine months from 1 October 2002 to 30 June 2003.

**Status of Accounts**

The accounts on which this report is based are in the process of being audited.