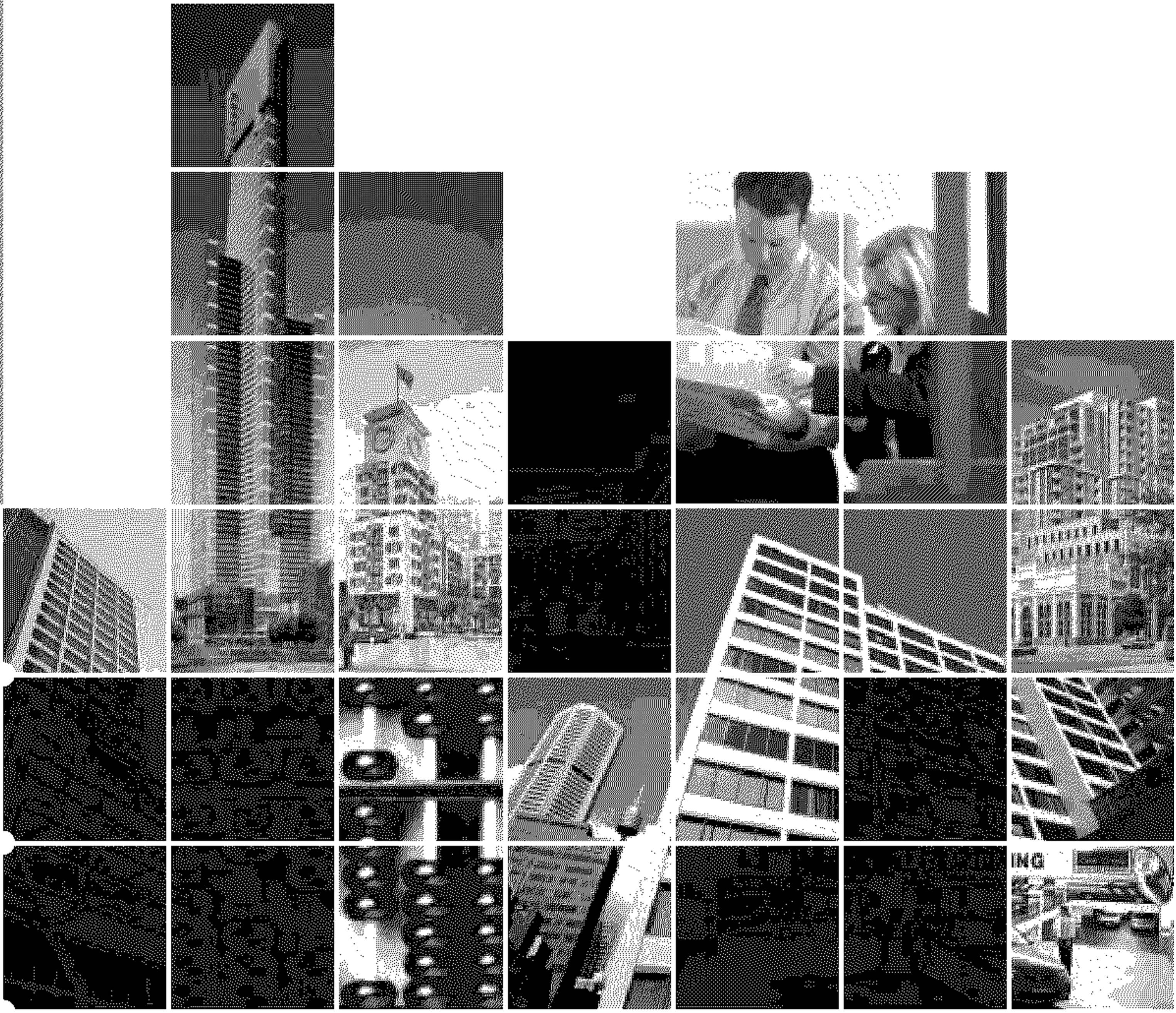
Abacus
PROPERTY GROUP



Ashfield Mall Epping Office Park 431 Glebe Point Road
Rydalmere Industrial Estate Villawood Industrial Estate
Central Brunswick Town Square and Convenience Centre
Navision House CSIRO Headquarters Abacus Diversified
Income Fund Abacus Hobart Growth Trust Abacus Crows
Nest Property Trust Abacus Mariners Cove Equity Trust
Abacus Tribeca Investment Abacus Portfolio Service
Burnie Hospital 109 Pitt Street Ashfield project Ashfield
Mall Epping Office Park 431 Glebe Point Road Rydalmere

Annual Report 2003

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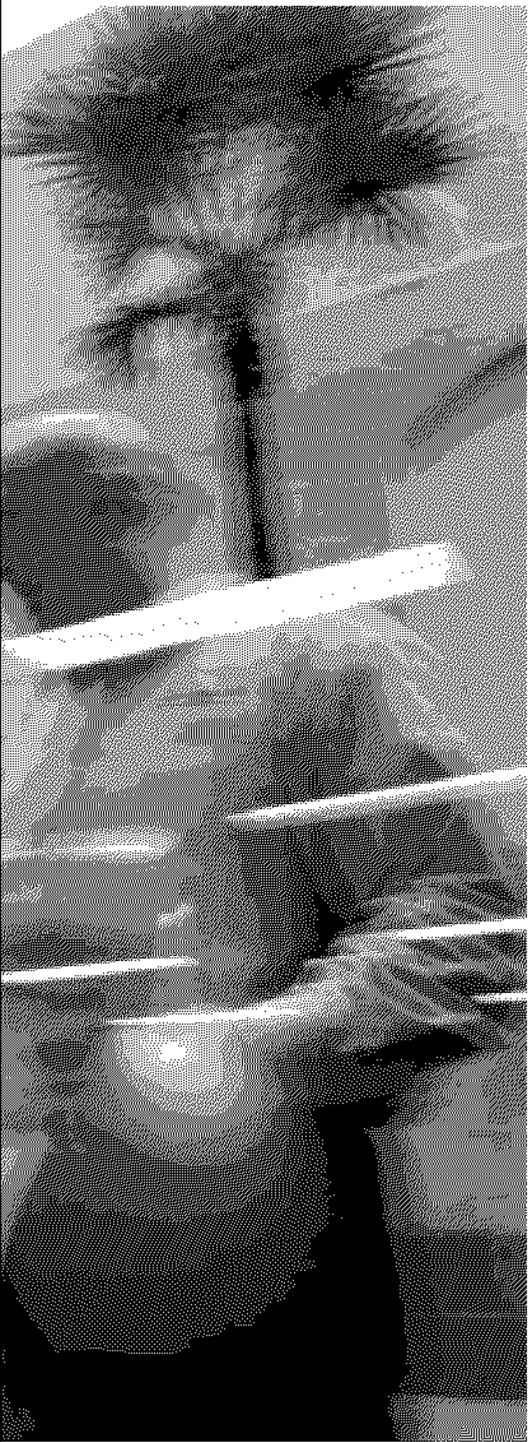
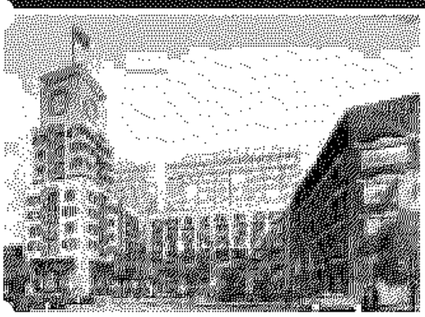


Who is Abacus?

Abacus Property Group is a listed entity which specialises in investing in property-based assets which are actively managed to enhance income and capital growth.

Abacus Property Group is made up of the Abacus Trust and Abacus Group Holdings Limited.

The Abacus Trust holds an investment portfolio of commercial, industrial and retail properties and operates a mortgage lending business. Abacus Group Holdings Limited operates funds management and property management businesses and earns transaction and project income.



Annual General Meeting

10am Friday 7 November
at Abbott Tout, Level 42, MLC Centre
19-29 Martin Place, Sydney

Key results

- Total return of 26.2% over the full year compares with S&P/ASX Property Trust Index return of 12.2%
- Profit increased to $33.8 million, $4.8 million above forecast in prospectus dated 15 October 2002
- Earnings per security increased to 13.9 cents, 18% above forecast
- Net tangible assets increased to 95 cents per security, compared to forecast of 90.3 cents
- Retained earnings increased to $9.78 million, more than three times the forecast $2.9 million
- Distribution of 10.5 cents per security, 7.7% increase on the prior year

Key benef

The internalised management structure of the Abacus Property Group ensures all management fees, transaction, joint venture and profit participation income earned by the manager are retained for the benefit of investors. Quarterly payments to investors may be made up of tax-advantaged distributions paid by the Abacus Trust and franked dividends paid by Abacus Group Holdings Limited.

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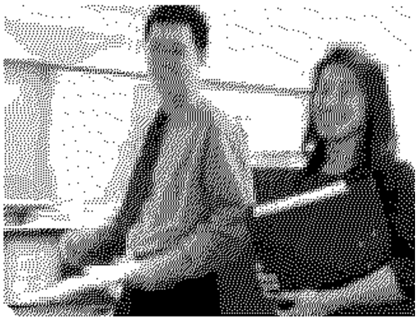
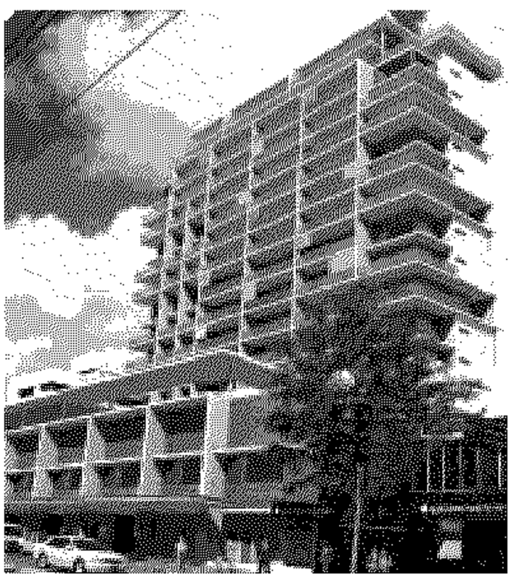
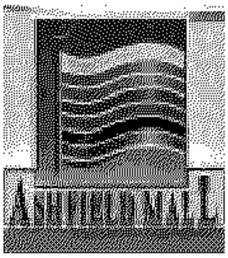
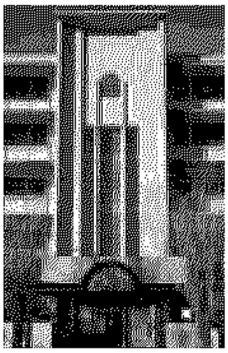
The great strength of the Abacus Property Group is its diversification of property-based income streams, including:

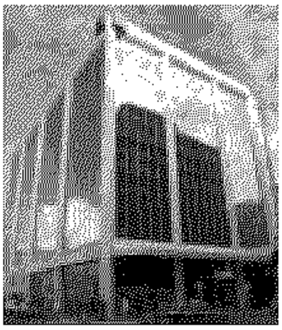
- rental income from properties
- interest and fee income from secured loans
- fee income from property management
- fee income from funds management
- income from transactions and projects

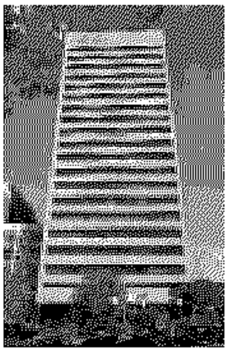


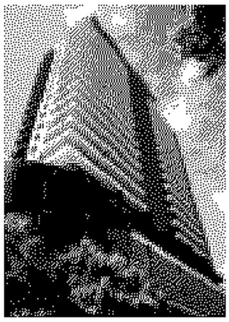












1996

Abacus Funds Management Limited formed to source and package property-based investment opportunities for the retail clients of Godfrey Pembroke Financial Planners. Acquires Abacus Property Services Pty Limited, a licensed real estate agent.

1997

Launches high yield mortgage opportunities secured over Burnie Hospital in Tasmania and Central Brunswick in Brisbane.

Markets the Abacus CUB Office Trust, followed by Pirie Street and Epping property trusts. Over $32 million in investor equity raised.

1998

Ashfield Mall acquired and syndicated to over 1,000 investors. Trusts established for properties at 431 Glebe Point Road in Sydney, Central Brunswick Town Square & Convenience Centre in Brisbane and 60 Albert Road in South Melbourne. Second mortgage of $6 million raised for Mariners Cove at Homebush Bay. In total, over $70 million in investor equity raised.

1999

The Abacus Property Income Fund is launched comprising a property trust and a mortgage fund, establishing the model for the Abacus Property Group. Unique investments in the Clarendon Towers development in Melbourne issued and a new property trust for Rydalmere Industrial Estate in Sydney.

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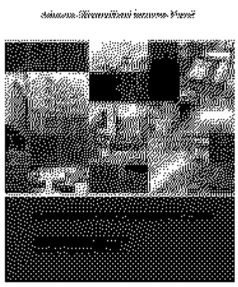
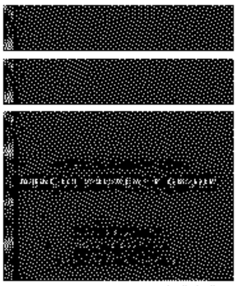
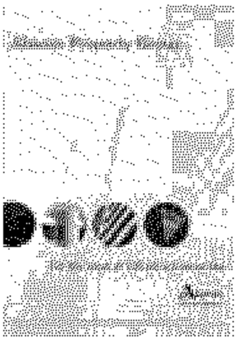
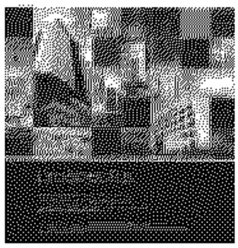
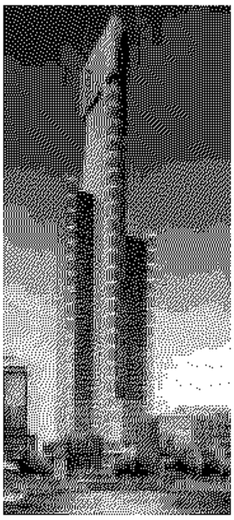
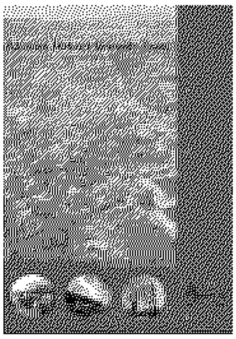












2000

Investments offered over interests in the Petrie Point residential development in Brisbane. Trusts established for the Crows Nest property in Sydney and the joint venture at Mariners Cove on the Gold Coast. Abacus participates in a variety of property-based transactions.

2001

Facilitates funding of 88 storey "Eureka Tower" in South Melbourne, "Hindmarsh Square" in Adelaide and "Bayview" in Port Melbourne through unique high yielding financial instruments totalling over $140 million. New trust syndicates commercial office building at Wollongong.

2002

Merger of trusts to form the Abacus Property Group in August 2001 with assets exceeding $280 million. Prospectus released in December raising funds to expand portfolio. Refurbishment and strata subdivision of 109 Pitt Street, Sydney commences. Abacus continues to release special investment opportunities, including the Abacus Hobart Growth Trust, and to build its investment portfolio.

2003

Abacus Property Group continues to grow with new property purchases and expansion of mortgage portfolio. Acquisition of Abacus Funds Management Limited in October creates an integrated property investment group with assets under management of over $550 million. Abacus Property Group lists on 14 November 2002. Significant progress on 109 Pitt Street and Ashfield projects. Launches Abacus Tribeca Investment in December and the Abacus Diversified Income Fund in June.

Chairman's Report

Abacus Property Group has performed strongly during the year, validating its strategy of building an integrated property group with diversified income streams. As a result, I am pleased to report net operating profit (after tax) of $33.8 million, exceeding forecast by over 16%. The total return to investors during the year was over 26%.

Major achievements through the period included the acquisition of Abacus Funds Management Limited, which significantly expanded the Group's range of activities, and listing on the Australian Stock Exchange on 14 November 2002.

Key financial results show the Group's performance exceeded the forecasts made in October 2002 just prior to listing:

- profit increased to $33.8 million, $4.8 million above forecast
- basic earnings per security increased to 13.9 cents, 18% above forecast
- net tangible assets per security increased to 95 cents per security, compared to forecast of 90.3 cents
- retained earnings increased to $9.78 million, more than three times the forecast $2.9 million.

The exceptional growth in retained earnings supports the board's objective of producing a reliable and increasing income stream over the long-term. This objective is well supported by the Group's experienced management team together with an increasing pipeline of property-based investment opportunities.

Through the acquisition of Abacus Funds Management Limited and its real estate subsidiary Abacus Property Services Pty Limited, the Group now generates the following income streams:

- rental income from its diversified portfolio of retail, industrial and commercial properties
- interest income from mortgage lending activities to a wide range of property investors
- fee income from funds management activities, including the establishment and management of trusts and other syndicates
- income from management of properties owned by the Group or managed on behalf of other investors
- fee income and profit participation from property transactions that the Group has facilitated.

We believe the Abacus Property Group's diversified business model will continue to deliver strong earnings performance. The synergy, flexibility and alignment of interests achieved through the purchase of Abacus Funds Management Limited provides a fundamental advantage in maximising the performance of the Group's properties and overall returns to investors.

On behalf of the board, I thank all staff for their efforts during the year and look forward with confidence to the ongoing success of the Group.

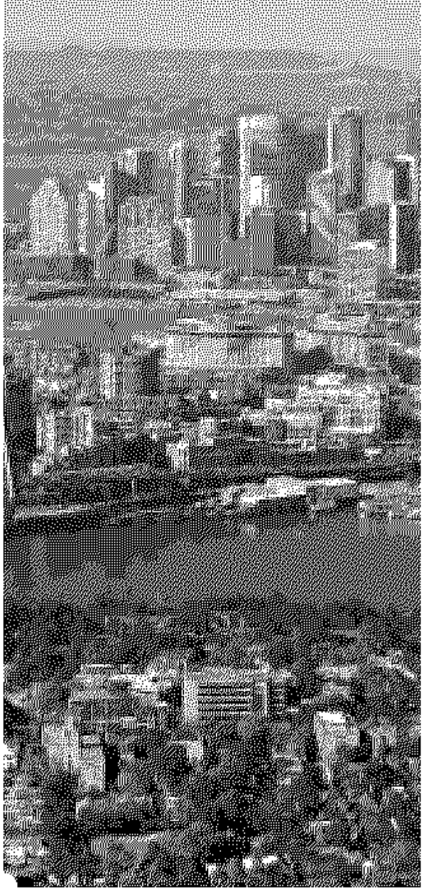
John Thame
Chairman

Mr John Thame
Chairman

"Abacus Property Group has performed strongly during the year, validating its strategy of building an integrated property group with diversified income streams."

Key Achievements

- Raised additional equity of $69 million
- Acquired Abacus Funds Management Limited and Abacus Property Services Pty Limited in October 2002, broadening the diversification of the Group's income streams by adding funds management, property and project management and transactions 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



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Managing Director's Report

The Group's results during its first year as a listed entity demonstrate the benefits of its diversified income streams and stapled security structure. More importantly, the year's achievements have laid the groundwork for future performance.

Acquisition of Abacus Funds Management Limited during October 2002 expanded the range of our activities, adding funds management, property and project management and related investment activities to the portfolio. It also internalised management, thus ensuring the alignment of management and security-holder interests and eliminating the leakage of fees to a third party.

As a fully integrated property investment group with an internal management structure, the Abacus Property Group is able to participate in property transactions on many levels, always remaining focussed on delivering value to our investors.

Property Investment

Rental from the portfolio of commercial, industrial and retail properties remains the largest contributor to the earnings of the Group, with over $22 million of net income contributing to the Group's profit result. During the year, Abacus took advantage of the strength of the property market to sell a number of mature assets where little further value could be added by active management:

- CUB office building in Fortitude Valley, Brisbane was sold for $14.25 million after successfully extending the lease to the incumbent tenant;
- the fully-leased office building at 60 Albert Road in the St Kilda Road precinct in Melbourne was sold for $32.32 million as we believed there were limited prospects for increased rental growth in that market for some time; and
- the office building at 101 Pirie Street, Adelaide was sold for the same reason.

Funds raised from these divestments have been used to reduce the Group's gearing to 26% at balance date, leaving it well-placed to make further acquisitions as opportunities arise.

Our objective continues to be investment in properties which provide reliable income and, through active management, a genuine prospect for capital growth through the repositioning of the asset. This may take place as a result of enhancement of the leasing structure, through redevelopment or change of use. New acquisitions may be added to the investment portfolio directly owned by the Group or syndicated through an unlisted vehicle. This provides flexibility for the Group to participate directly or through management fees and provision of other services. Establishment of the unlisted Abacus Diversified Income Fund has increased this flexibility.

Mr David Bastian
Managing Director

"The Group's results during its first year as a listed entity demonstrate the benefits of its diversified income streams and stapled security structure. More importantly, the year's achievements have laid the groundwork for future performance."

Funds Management

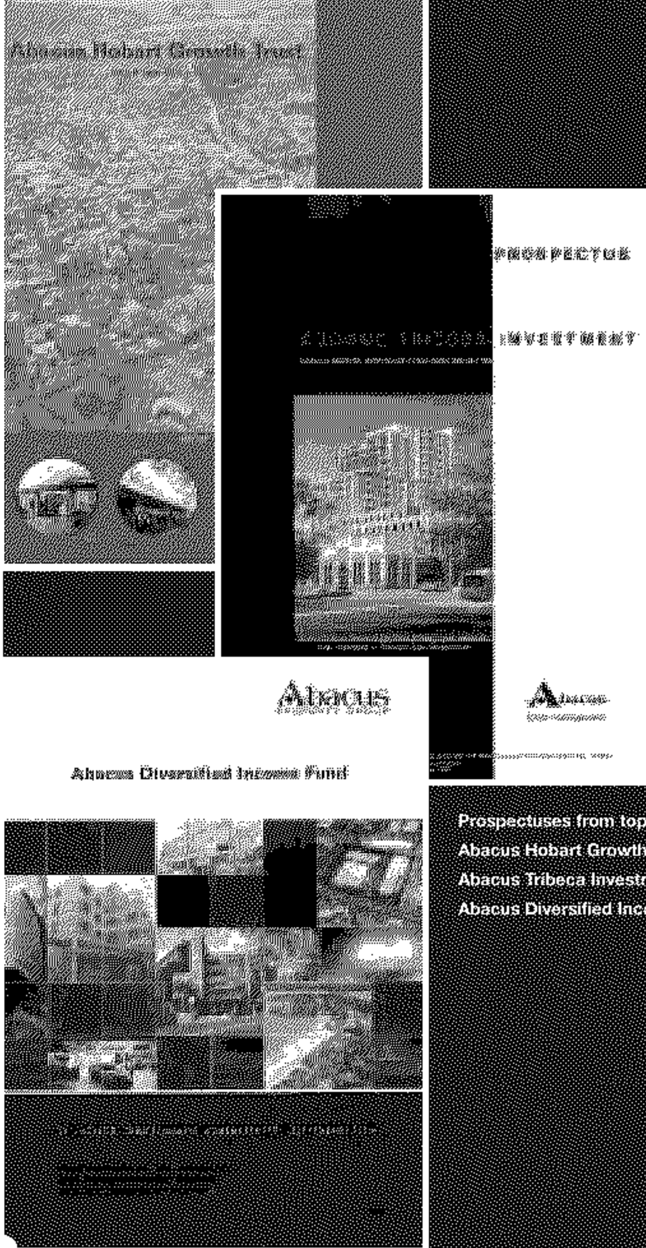
Funds management delivers sustainable fee revenue through the provision of management services and also earns establishment, packaging and performance fees.

Capital raising was an important activity for the management team during the year. For the Abacus Property Group, $28 million was raised from retail investors in the first quarter of the year and $40.7 million from institutional investors immediately prior to listing in November 2002.

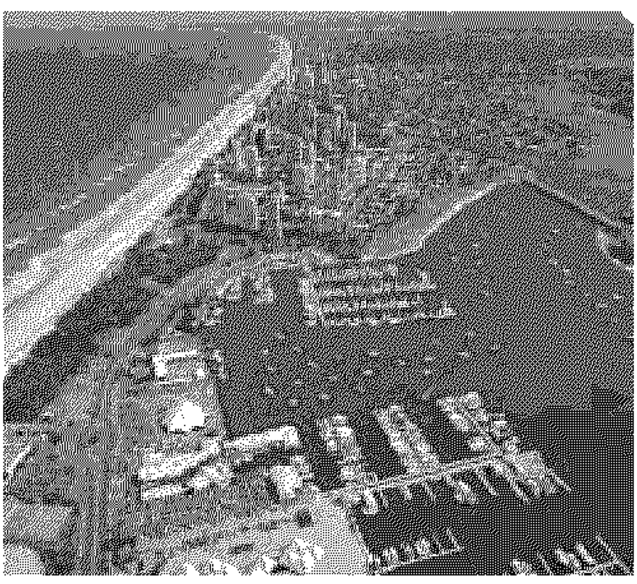
In addition, Abacus completed a $7.6 million equity raising for the Abacus Hobart Growth Trust and raised $14.5 million of equity for the Abacus Tribeca Investment. The success of these special investment opportunities, demonstrate the value of the Abacus brand to our large base of retail investors across Australia.

The Abacus Diversified Income Fund was launched in June 2003 and has been very well-received by investors. It is intended to build on the Fund's initial portfolio of $60 million in assets as equity is raised and opportunities in the $5 million to $15 million target range arise.

Excellent progress has been achieved in the management of properties owned by other Abacus trusts. In particular, the Abacus Mariners Cove Equity Trust which owns a 50% interest in Mariners Cove with Ariadne Australia Limited, is now well-placed to realise long-term benefits foreshadowed in the 1999 prospectus. An application for approval for a residential conversion has also been lodged for the commercial property owned by the Abacus Crows Nest Property Trust.



Prospectuses from top:
Abacus Hobart Growth Trust
Abacus Tribeca Investment
Abacus Diversified Income Fund



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Managing Director's Report continued

Abacus Mortgage Fund

Income from our mortgage lending activities contributed $5.45 million to the Group's profit in the year under review, a significant increase over the previous year's contribution of $2.02 million. Over $26 million in new loans was written during the year and $22 million repaid.

The Group provides both first mortgage and mezzanine funding to a diverse group of investors, with each loan secured against real property assets. Strict prudential guidelines are followed in the approval process and no more that $5 million is advanced in any one loan. Each loan is monitored by our staff and, in many cases, the Group is actively involved in the management of the asset itself.

As at 30 June 2003, the Abacus Trust had mortgage loans outstanding of approximately $34 million. The average loan size was $1.7 million.

Property Management

Through its experienced team of property professionals, the Abacus Property Group specialises in the active management of property assets to enhance income and capital growth. Despite difficult leasing conditions, Abacus was able to improve the leasing profile on major assets of the Group, extending the weighted average lease expiry across its investment property portfolio to 4.2 years. The team also manages the property assets owned by syndicates managed by Abacus Funds Management Limited and property assets owned by external parties.

Significant progress has been achieved on a number of medium-term projects within the Group's portfolio during the year. The objectives of the strata subdivision of the property at 109 Pitt Street Sydney have begun to be realised with the sale of the retail arcade and carpark interests, while marketing of the commercial strata suites has commenced. A development application will soon be lodged for the residential conversion of our property at 431 Glebe Point Road in Sydney's inner west and further progress has been made on the proposal to develop land adjacent to Ashfield Mall.

Property-based Transactions

Projects in which the Group participates through joint ventures also advanced during the year through the achievement of development approvals and listing for sale:

- contracts were exchanged in June on the former bus depot at 109-123 O'Riordan Street Mascot acquired in September 2001 (development approval for 102 apartments and 140 carparks had been achieved).
- 797-801 Botany Road Rosebery has recently received development approval for 110 apartments and retail shops.
- 6-8 Jaques Avenue, Bondi Beach has recently received development approval for 33 residential apartments.

Abacus derives fee income from the services it provides to a wide range of projects, including as packager, arranger or joint venture partner, and may also be entitled to performance fees and/or profit participation for its involvement.

Outlook

Looking ahead, the Abacus Property Group has a range of exciting opportunities across all areas of its business. Abacus has worked hard to develop a pipeline of projects to sustain transactional income, including through joint venture arrangements. Such arrangements leverage off the core strengths of the Abacus team and allow our investors to benefit from the complementary skills of our partners.

New joint venture opportunities include the development of a residential estate at North Willoughby on Sydney's lower north shore acquired from the Defence Housing Authority in June 2003 and an 84 apartment project in Hornsby on Sydney's northern train line. Abacus Property Group will also participate in the residential development projects at Cronulla and Campbelltown which form part of the Abacus Diversified Income Fund portfolio.

Over the next two years, Abacus will participate in profits from the completion of a residential development at Felix Street in Brisbane, a project it structured and facilitated without the need to provide capital. The refurbishment and sale of 109 Pitt Street Sydney will continue and approval for the residential conversion of the Glebe property is expected to be received.

Looking further ahead, the Group will participate in profits from the active management of assets as diverse as the portfolio of properties owned by the Abacus Hobart Growth Trust, the interests of the Abacus Mariners Cove Equity Trust, a potential residential conversion of the Sydney property owned by the Abacus Crows Nest Property Trust, redevelopment of a commercial property at Bankstown in Sydney's west and the further development of Burnie Hospital in Tasmania, where the Abacus Portfolio Service has a secured loan.

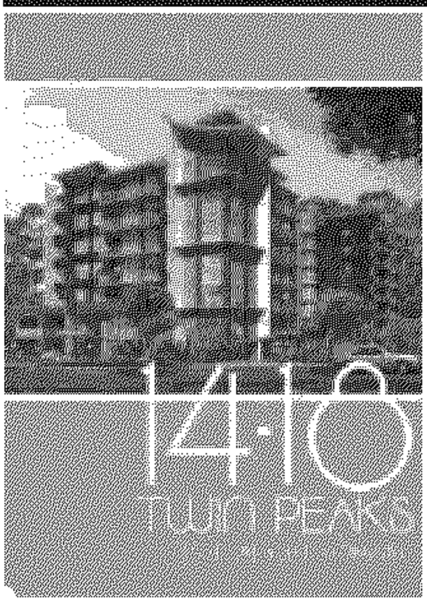
Strong Management Team

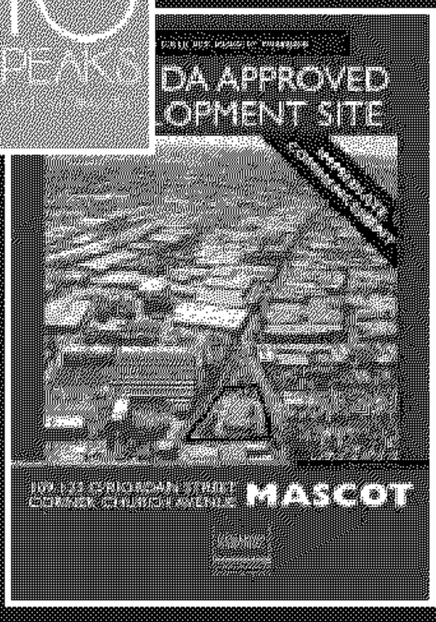
The people behind the business are the key to its success. I would like to take this opportunity to thank all members of the team at Abacus Property Group for their efforts during a year of outstanding achievements. The results achieved by the Group reflect the team's expertise and dedication.

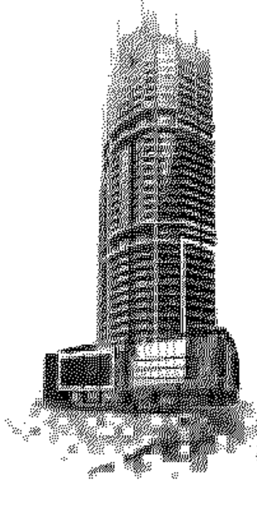
Crucial to the Group's continued development is the presence of a strong board, strengthened during the year with the return of John Thame as Chairman and addition of Malcolm Irving as non-executive director. While the Abacus Property Group has the legal structure of a separate company and trust, it is effectively managed as a single entity.

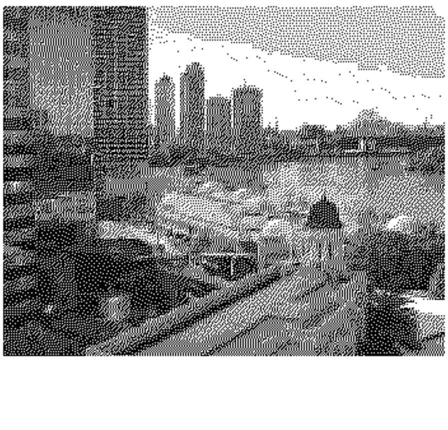
On behalf of the board and staff, I would like to thank you, our investors, for your continued support. The Group is in a strong position to maintain its momentum and continue delivering strong investment performance.

David J Bastian









Investment Property Portfolio

Through the Abacus Trust, the Abacus Property Group holds a diversified investment portfolio of commercial, industrial and retail properties with a combined value of over $208 million. Rental income from these properties is the largest contributor to the earnings of the Group.

Abacus Trust Investment Property Portfolio

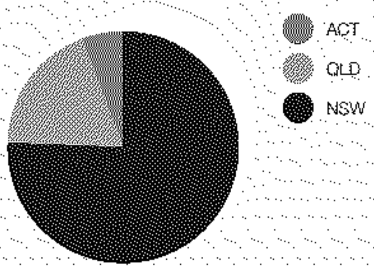
Property	State	Primary Use	Current Valuation $ million
Ashfield Mall, Ashfield	NSW	retail	89.0
Epping Office Park, Epping	NSW	commercial	35.0
431 Glebe Point Road, Glebe	NSW	commercial	11.0
10-12 Pike Street, Rydalmere	NSW	industrial	14.9
Villawood Industrial Estate	NSW	industrial	7.5
CSIRO Headquarters, Canberra	ACT	commercial	12.0
Central Brunswick, Brisbane	QLD	retail/commercial	20.0
Navision House, Brisbane	QLD	commercial	18.7

During the year under review, Abacus took advantage of the very strong property market to reposition the portfolio. Three mature assets were sold above valuation, realising $60.8 million. The sales have assisted in reducing the gearing of the Group, which is now well-positioned to make further acquisitions in keeping with the objective of investing in properties which provide reliable income and potential for capital growth through active management.

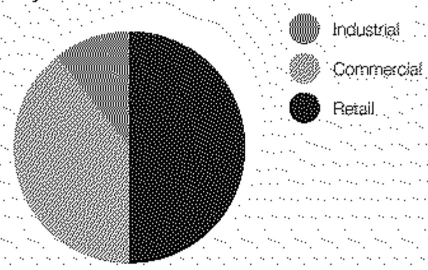
Property	State	Primary Use	Current Valuation $ million
CUB Building, Brisbane Sold December 2002 for $14.25 M (after payment of $1.0 M lease incentive)	QLD	commercial	12.6
60 Albert Road, South Melbourne Sold April 2003 for $32.32 M	VIC	commercial	31.5
101 Pirie Street, Adelaide Bought August 2002 and sold April 2003 for $14.25 M	SA	commercial	13.0

Diversification

Location



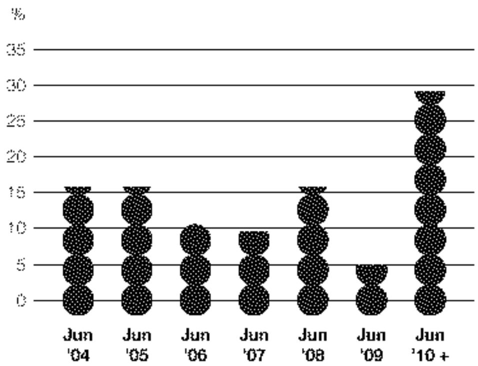
Primary Use



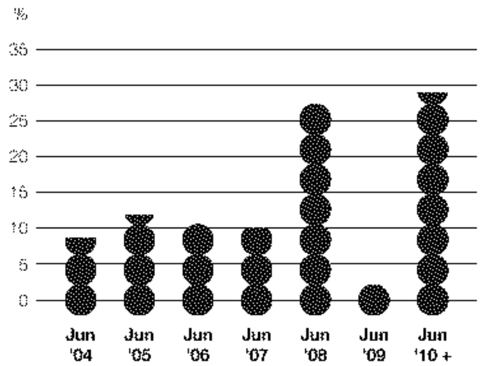
Lease Expiry Profile

Weighted average lease expiry by income: 4.2 years
Weighted average lease expiry by area: 4.3 years

% of Income



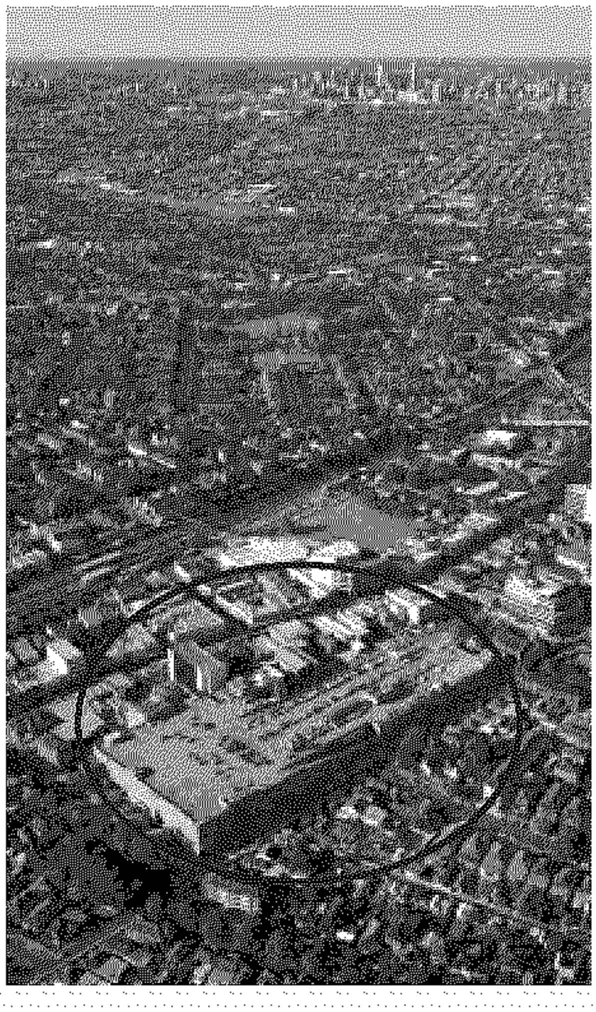
% of Area



Ashfield Mall, Ashfield

Ashfield Mall is a sub-regional shopping centre in the residential suburb of Ashfield, located less than 10 kilometres south-west of the Sydney CBD.
The fully enclosed four level building offers vehicle access off three street frontages and is close to the railway station and bus interchange. The surrounding area includes some of the most densely populated suburbs of Sydney.

Property Details		
Building date	1983, refurbished 1987, 1993 and 1997	
Gross Lettable Area	25,850 m²	
Car Parking	1,000 spaces, 850 undercover	
Valuation Details		
Valuation	$89.0 million	
Valuer	FPD Savills	
Valuation date	30 June 2003	
Capitalisation rate	8.25%	
Leasing Details		
Lease profile	Anchor tenants include Coles, Kmart, Target and Franklins supported by over 60 specialty retailers	
Occupancy	99%	
Lease Expiry	2003/04	22%
	2004/05	14%
	2005/06+	64%

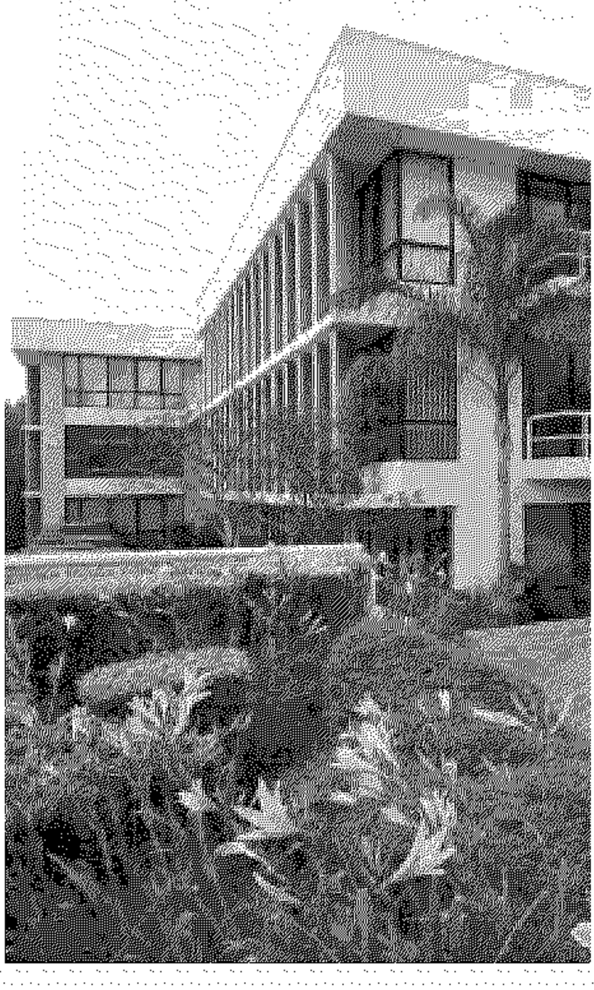


Investment Property Portfolio continued

Epping Office Park, 240-244 Beecroft Road and 4 Ray Road, Epping

Epping Office Park is a high quality office complex approximately 20 kilometres north-west of the Sydney CBD. The property contains four separate buildings in an attractive landscaped environment. Typical floor areas range from 963 m^2 to 1,298 m^2. Facilities include an in-ground swimming pool, tennis court, squash courts and a café.

Property Details		
Building date	Progressive, from 1983 to 1990	
Site Area	13,389 m^2	
Net Lettable Area	12,350 m^2	
Car Parking	381 spaces	
Valuation Details		
Valuation	$35.0 million	
Valuer	LandMark White	
Valuation date	1 September 2002	
Capitalisation rate	10.32%	
Leasing Details		
Lease profile	Major tenants include AMP, Carter Holt Harvey, NAB, NEC Australia, Associated Planners, Arrow Communications, Wrigleys	
Occupancy	96.5%	
Lease Expiry	2003/04	17%
	2004/05	11%
	2005/06+	72%

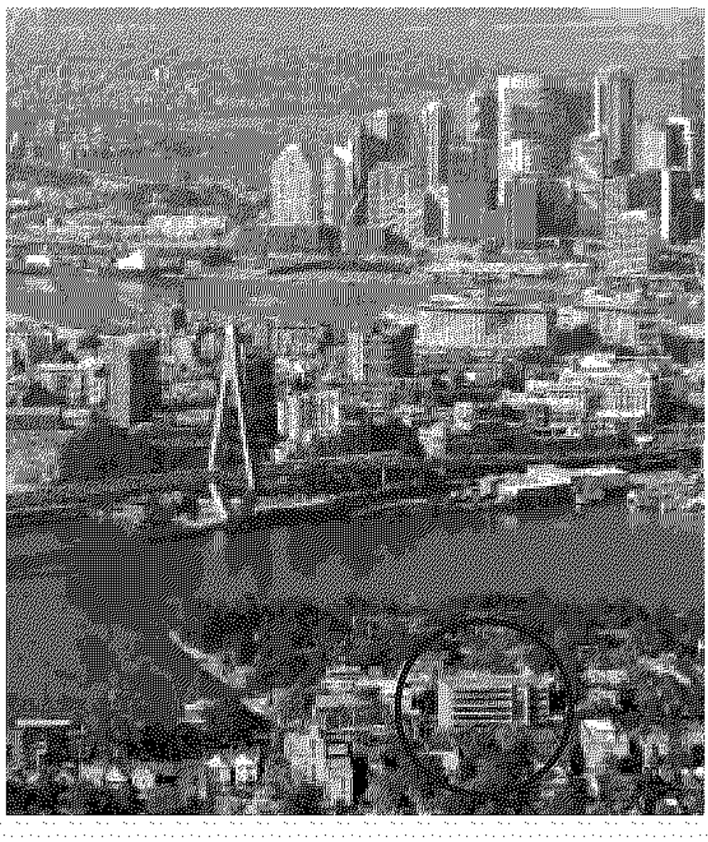


431 Glebe Point Road, Glebe

This six storey office building is located close to the harbour and lifestyle facilities in a primarily residential area approximately three kilometres west of the Sydney CBD. Typical floor areas range from 644 m^2 to 1,401 m^2.

A development application will be shortly lodged to convert the building to quality residential apartments. Negotiations with planning authorities are proceeding, with finalisation of project plans expected during 2004.

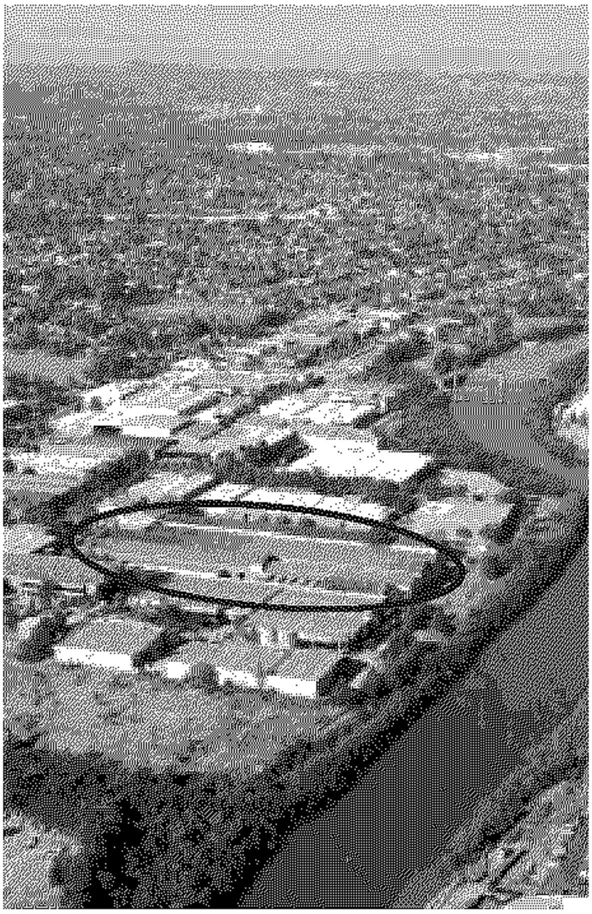
Property Details		
Building date	Initial construction circa 1950 as a warehouse, converted to commercial approximately 1980	
Net Lettable Area	5,415 m^2	
Car Parking	52 spaces	
Valuation Details		
Valuation	$11.0 million	
Valuer	LandMark White	
Valuation date	1 September 2002	
Capitalisation rate	10.75%	
Leasing Details		
Lease profile	Tenants include Carlson Wagonlit Australia, Ipex Pty Limited and Interiors Australia	
Occupancy	100%	
Lease Expiry	All leases expire or have demolition clauses which apply from October 2005	
	2003/04	0%
	2004/05	51%
	2005/06+	49%



10-12 Pike Street, Rydalmere

This industrial estate comprises two older style detached buildings and is located on the Parramatta River, two kilometres east of the Parramatta CBD and 21 kilometres west of the Sydney CBD.

Property Details	
Building date	Approximately 1960
Site Area	3.8 ha
Gross Lettable Area	18,103 m²
Car Parking	16 undercover spaces, with extensive open on-grade spaces provided within the grounds
Valuation Details	
Valuation	$14.9 million
Valuer	LandMark White
Valuation date	1 September 2002
Capitalisation rate	10.24%
Leasing Details	
Lease profile	Waco Kwikform Limited
Occupancy	100%
Lease Expiry	2008 with one 5 year option



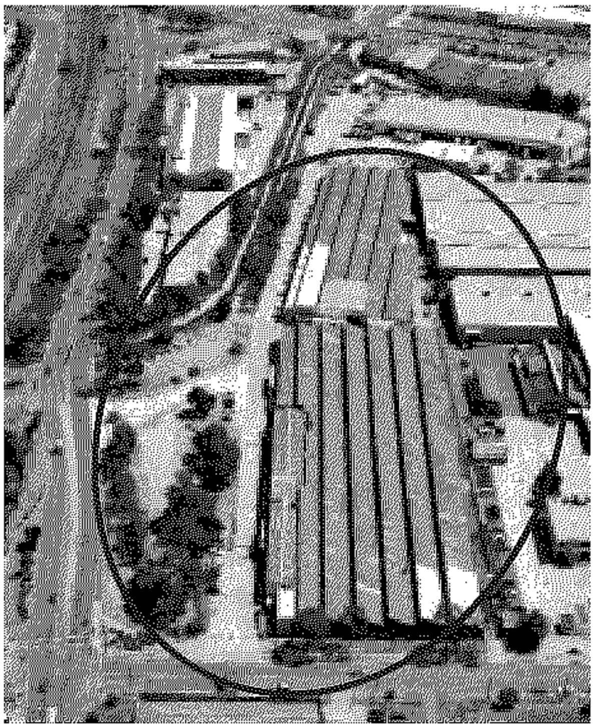
Villawood Industrial Estate, 66 Christina Road, Villawood

Villawood is an established industrial precinct in the south-western suburbs of Sydney, 25 kilometres from the CBD and with good access to Sydney's major road arteries. The property includes two industrial buildings made up of five factory units.

The property has approximately 3,000 square metres of unimproved land fronting Christina Road which may be developed into strata titled industrial units.

Property Details		
Building date	1952	
Site Area	3.5 ha	
Gross Lettable Area	18,477 m²	
Car Parking	Open on-grade parking provided	
Valuation Details		
Valuation	$7.5 million	
Valuer	Knight Frank	
Valuation date	31 January 2002	
Capitalisation rate	12.0%	
Leasing Details		
Lease profile	BF Goodrich P/L, Primac Pastoral P/L and Australian Wool Network P/L, Metro Properties Pty Ltd	
Occupancy	100%	
Lease Expiry	2003/04	38%
	2004/05	18%
	2005/06+	44%

Note: Since balance date, Metro Properties Pty Ltd has gone into receivership and will vacate the premises (38% of area and 33% of gross income) in September 2003.

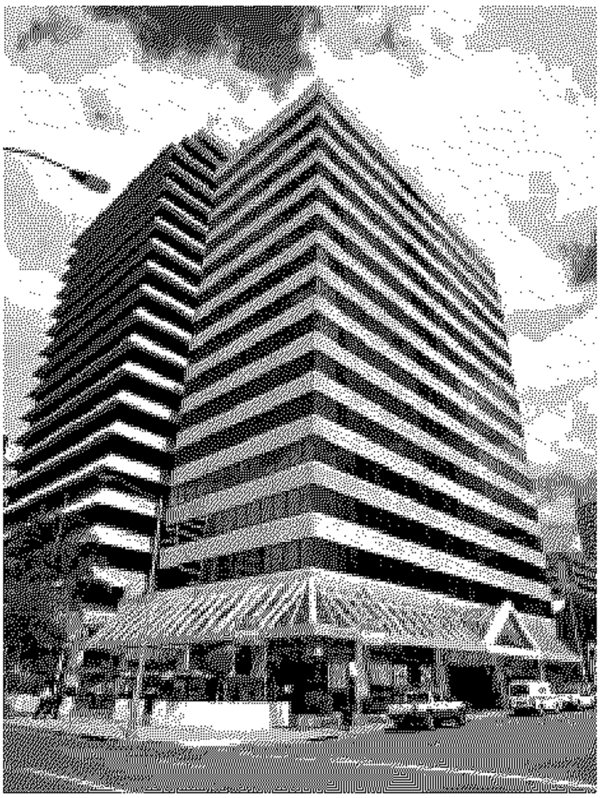


Investment Property Portfolio continued

Navision House, 10 Market Street, Brisbane

Located in Brisbane's prime commercial precinct on the Brisbane River, Navision House is just 125 metres from the Brisbane GPO. This modern building offers sixteen levels of office accommodation with typical floor areas of approximately 450 m² and two levels of basement parking.

Property Details		
Building date	1982	
Net Lettable Area	6,861 m²	
Car Parking	57 spaces	
Valuation Details		
Valuation	$18.7 million	
Valuer	LandMark White	
Valuation date	31 January 2002	
Capitalisation rate	9.5%	
Leasing Details		
Lease profile	Major tenants include GWA International, QLD Local Government Super Board, General Motors Acceptance and Hillross	
Occupancy	95.6%	
Lease Expiry	2003/04	18%
	2004/05	23%
	2005/06+	59%



Central Brunswick, Fortitude Valley

The Central Brunswick Town Square and Convenience Centre is a two to three level modern commercial/retail complex with 30 strata titled shops and offices offering a complementary mix of services. The independent valuer provided a valuation of $18.5 million for the property 'in one line' and a gross realisable value of $22.0 million on the basis that the strata lots are sold individually. The figure of $20 million used in this report is the mid-point of these two values.

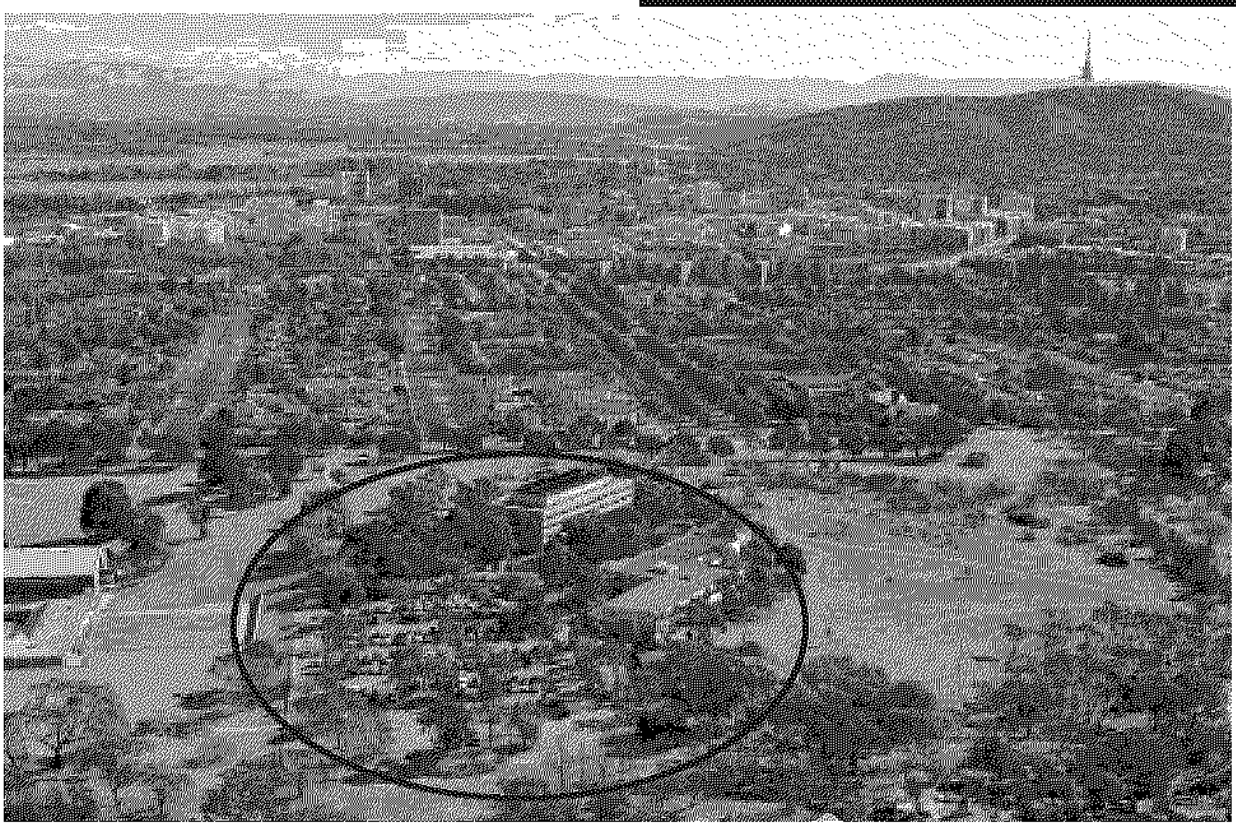
Since balance date, contracts have been exchanged for the sale of Central Brunswick for $20.25 million with settlement scheduled for 1 December 2003.

Property Details		
Building date	1997	
Net Lettable Area	7,024 m² includes outdoor areas specified on leases	
Car Parking	306	
Valuation Details		
Valuation	$20.0 million	
Valuer	LandMark White	
Valuation date	1 September 2002	
Capitalisation rate	8.7%	
Leasing Details		
Lease profile	37 tenants include Video Ezy, IGA Supermarket, Brumby Bakery, Real Estate agency, gymnasium, medical centre and other commercial offices plus a variety of restaurants and cafés	
Occupancy	94.35%	
Lease Expiry	2003/04	12%
	2004/05	25%
	2005/06+	63%

CSIRO Headquarters, Limestone Avenue, Campbell, ACT

CSIRO's head office and related administration and conference facilities occupy an elevated site two kilometres to the east of the Canberra CBD. The improvements consist of a five-level office building with attached single level conference centre and a two-level administration building plus a bitumen-sealed carpark. Surrounding development includes residential housing, retirement villages, a high school and the Australian War Memorial.

Property Details	
Building date	1970 and 1983
Site Area	4 ha
Net Lettable Area	7,215 m²
Car Parking	350 spaces
Valuation Details	
Valuation	$12.0 million
Valuer	CB Richard Ellis
Valuation date	1 September 2002
Capitalisation rate	10.5%
Leasing Details	
Lease profile	CSIRO
Occupancy	100%
Lease Expiry	2012 with four 10 year options



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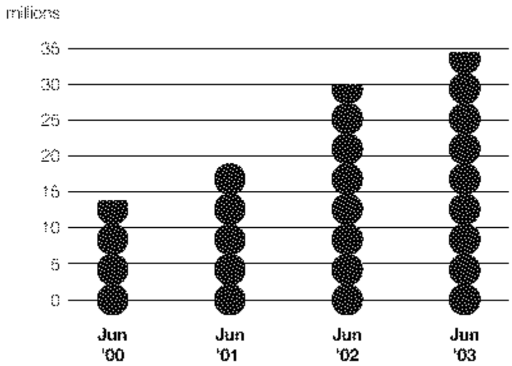
Abacus Mortgage Fund

Net income from the Abacus Mortgage Fund increased over the year from $2.02 million to $5.45 million and total loans outstanding grew to $34 million as at 30 June 2003. The Fund earns fee and interest income from the provision of mezzanine funding secured primarily by second mortgage.

Abacus's strategy is to build a diverse portfolio of short-term loans of $5 million or less, so limiting the exposure of the Fund to any one client. This strategy was effectively implemented during the year under review, with over $26 million in new loans written and $22 million repaid. The average loan size as at 30 June 2003 was $1.7 million.



Funds Management

Through Abacus Funds Management Limited, the Abacus Property Group manages a number of trusts and other syndications on behalf of retail and other clients in addition to the management of its own portfolio.

The establishment of new syndicates leverages off the skills and market presence of the Group's property specialists to identify and package investment opportunities which offer a more leveraged property exposure for private investors. Fee income from the establishment and marketing of the opportunities, and management and other services adds to the earnings of the Group.

In addition to the ongoing management of existing trusts, during the year, Abacus:

- completed the $7.6 million equity raising for the Abacus Hobart Growth Trust
- repaid the Abacus Hindmarsh Square Mortgage Investment of $6 million
- raised $14.5 million equity for the Abacus Tribeca Investment
- launched the Abacus Diversified Income Fund with initial assets of over $60 million.

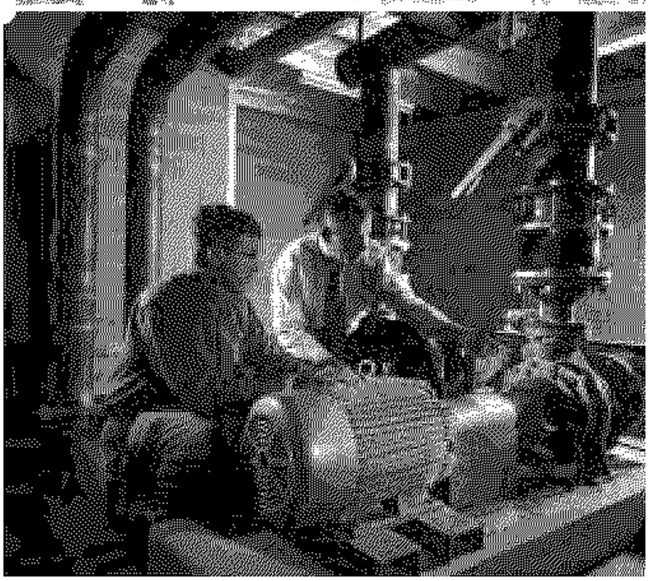
Property trusts provide investors with regular, tax-advantaged income and participation in long-term capital growth. Current products under management include:

- Abacus Crows Nest Property Trust
- Abacus Mariners Cove Equity Trust
- Abacus Hobart Growth Trust
- Abacus Diversified Income Fund

Mezzanine funding syndicates are unit trusts which pool investors' funds to provide mezzanine funding in anticipation of above average returns. Products under management include:

- Abacus Tribeca Investment
- Abacus Portfolio Service - Burnie Hospital

Development syndicates offer high net worth investors opportunities to invest in development projects with the prospect of high returns while bearing certain development risks. Current products under management include the Abacus Bondi Trust.

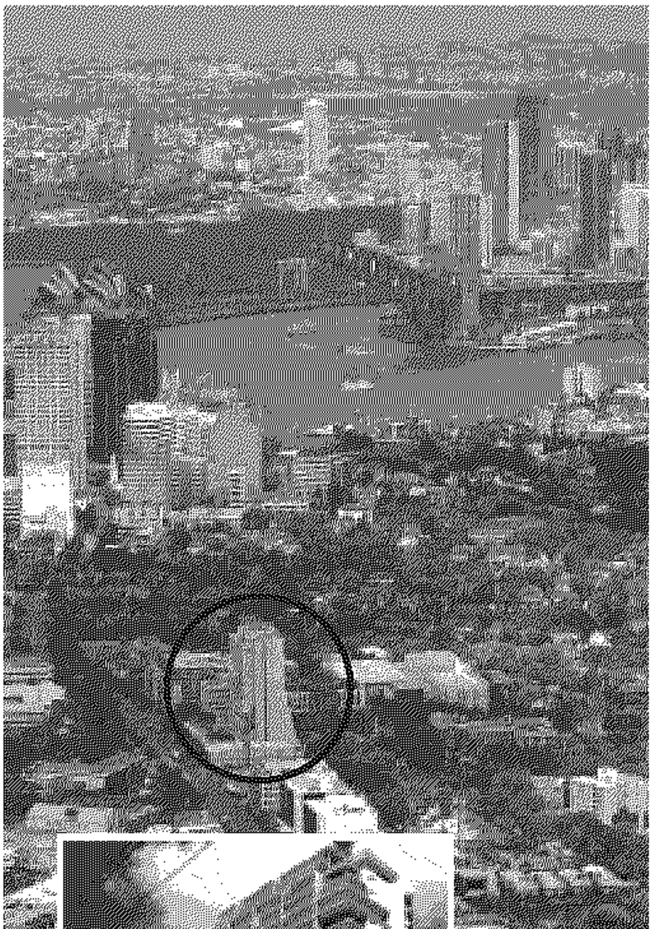


Abacus Funds Management Limited holds Australian Financial Services Licence 227819.

Abacus Crows Nest Property Trust

The Abacus Crows Nest Property Trust owns a commercial property at 200-220 Pacific Highway Crows Nest. Purchased during 2000 for $23.75 million, the property is now valued at $27.6 million and provides a mix of office, retail and hotel accommodation across two buildings with a total lettable area of 12,400 m² and basement parking for 189 cars.

The property enjoys spectacular harbour views and is close to North Sydney, the vibrant Crows Nest shopping centre and many lifestyle amenities. Abacus has submitted a development application for 110 residential apartments.

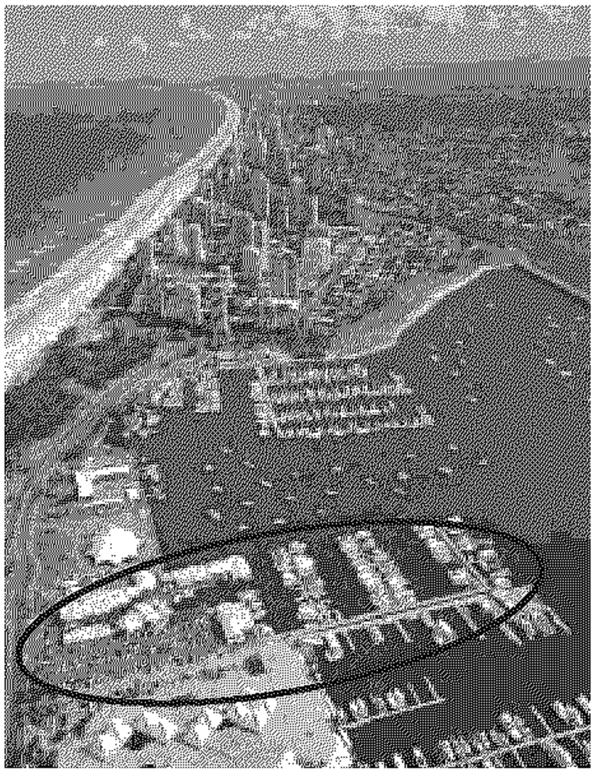


Abacus Mariners Cove Equity Trust

The Abacus Mariners Cove Equity Trust owns a 50% interest with Ariadne Australia Limited in 'Mariners Cove', a commercial, restaurant and marina complex with tourist accommodation located amid popular tourist attractions and resorts 3 kilometres north of Surfers Paradise on the Gold Coast. Mariners Cove occupies almost 4 hectares of land and seabed and offers around 4,255 m² of net lettable area, parking for 220 cars and a 96 berth marina with comprehensive fuel and shop facilities.

Since acquisition, the joint venture has undertaken a $1.5 million refurbishment program, obtained liquor and gaming licences, increased occupancy to 95% and improved the profitability of the whole complex.

Following two years of negotiation with the Traditional Owners of the Gold Coast, an Indigenous Land Use Agreement was entered into over the land and waters adjoining Mariners Cove that are owned by the State Government, paving the way for negotiations on development proposals which are expected to be finalised over the next twelve months.



Abacus Hindmarsh Square Mortgage Investment

$6 million advanced by Abacus investors in June 2001 to assist in funding the development of 188 community titled hotel and owner occupied suites in central Adelaide was repaid during March 2003.

Abacus Tribeca Investment

In December 2002, Abacus raised $14.5 million from investors to assist in funding a $200 million residential development of the former Victoria Brewery site in the exclusive suburb of East Melbourne. The funds are secured by second ranking debentures over interests in the project. To date, contracts have been exchanged on apartments totalling more than $170 million.

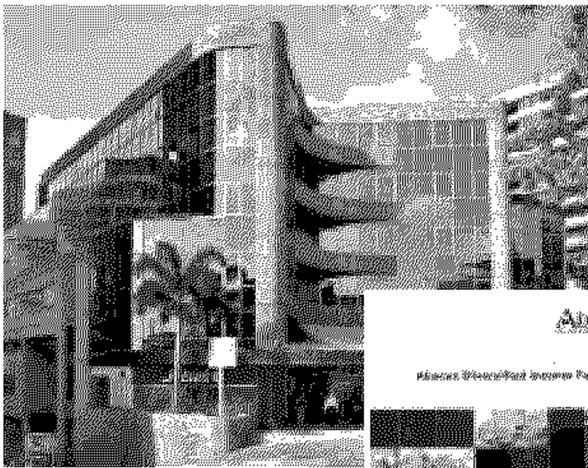
Abacus Hobart Growth Trust

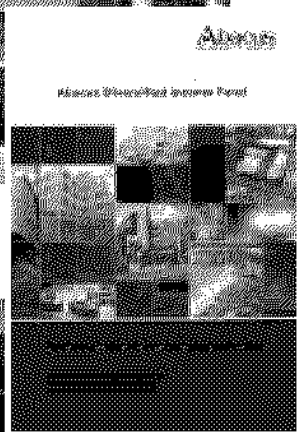
The Abacus Hobart Growth Trust owns a retail department store in the Elizabeth Street Mall valued at $10 million and holds options to acquire two other commercial properties in the Hobart CBD during 2010 and 2013 at prices well below replacement cost.

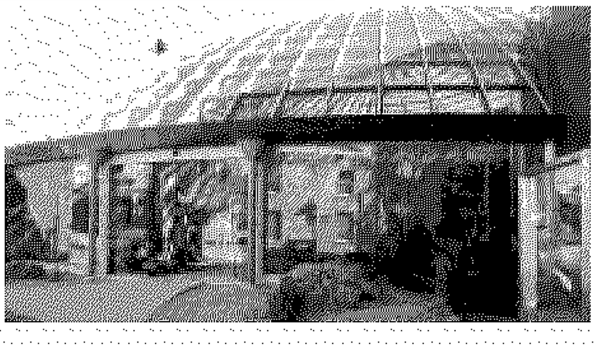
Abacus Diversified Income Fund

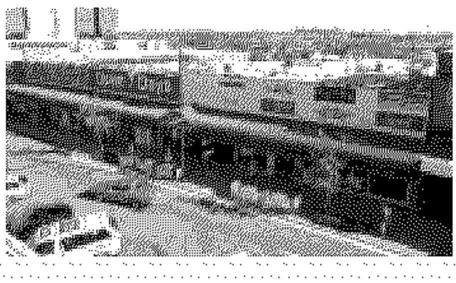
The Abacus Diversified Income Fund was launched in June 2003 with an initial portfolio of $60 million, including commercial property assets in NSW, Queensland and Victoria, secured loans and interests in development projects.

As at the date of this report, over $20 million in equity has been raised. Abacus proposes to acquire additional assets for the portfolio during the year ahead.









Property Management

Abacus Property Group specialises in the active management of assets to enhance income and capital growth. During the year, property assets under the management of Abacus Property Services Pty Limited, a licensed real estate agent, increased to over $380 million. These include the property assets of the Abacus Property Group, properties owned by syndicates managed by Abacus Funds Management Limited and property assets owned by external parties.

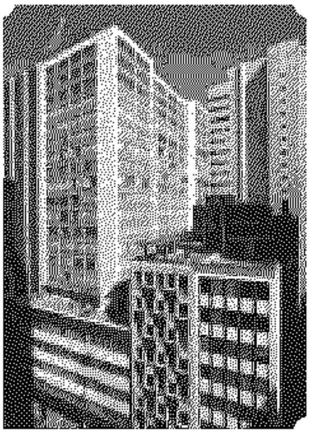
109 Pitt Street Sydney

Purchased for $35 million in early 1999, 'Select House' at 109 Pitt Street Sydney has provided an excellent income stream while the Abacus team repositioned its leasing profile and gained Council approval for strata subdivision.

The property comprises a 20 level office tower, ground floor retail arcade and three levels of basement parking for 143 vehicles. Centrally located in the heart of the Sydney CBD, 'Select House' is close to ferry, rail and bus transport, retail shopping and the city's financial and entertainment precincts. The commercially-operated carpark offers convenient valet parking six days a week.

Following the successful strata subdivision of the property, the sale of the retail shops and leasehold interest in the basement carpark was successfully completed during the year.

Major works on the office tower are well-advanced: modernisation of the six lifts, replacement of air-conditioning plant and other services, installation of new windows and improvements to the façade were completed during the year and refurbishment of the interior is proceeding floor by floor, with completion scheduled for December 2004. Strong interest in commercial suites has been reflected in initial sales, which are expected to continue over the next two to three years.

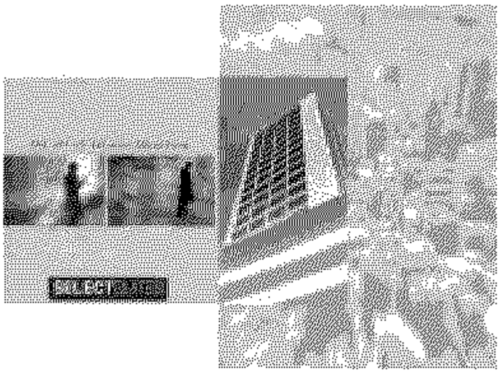


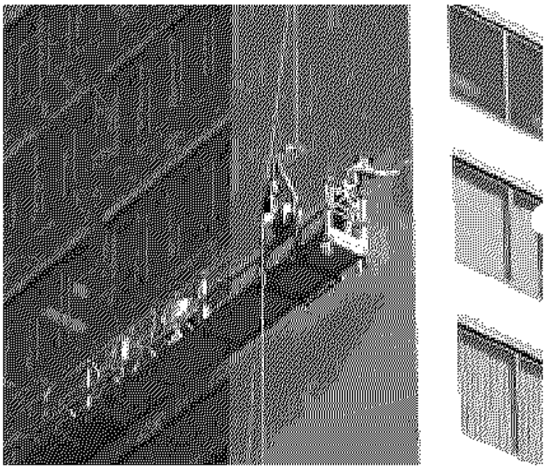
The comprehensive renovation of the property is budgeted to cost around $18 million

Management

Overnight success....?

Active management can mean five years of careful planning.





November 1998	initial due diligence
January 1999	valuation at $38 million
February 1999	acquisition for $35 million
May 1999	issue of prospectus with forecast distribution of 10% pa
June 1999	property settlement
1999-2000	renegotiation of leases, distribution increased to 11% pa
January 2001	occupancy increases to 98%, revalued at $42 million
June 2001	distribution increased to 11.5% pa
August 2001	becomes part of Abacus Property Group
September 2001	staged strata subdivision approved
October 2001	revalued at $44 million
2002	refurbishment of office tower commences
May 2002	retail shops auctioned
August 2002	approval of stratum subdivision into office, shops and carpark
September 2002	valuation of office tower and carpark at $47.5 million
March 2003	major works completed on façade, windows, lifts and air-conditioning, refurbishment of interior continues
May 2003	registration of strata plan for first stage of commercial subdivision
June 2003	sale of leasehold interest in carpark initial commercial strata sales
2004-2006	on-going sales of commercial strata

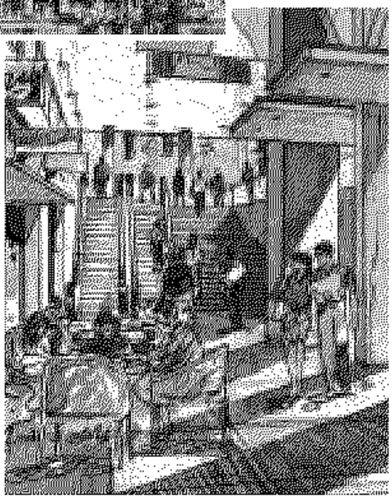
Property Management continued

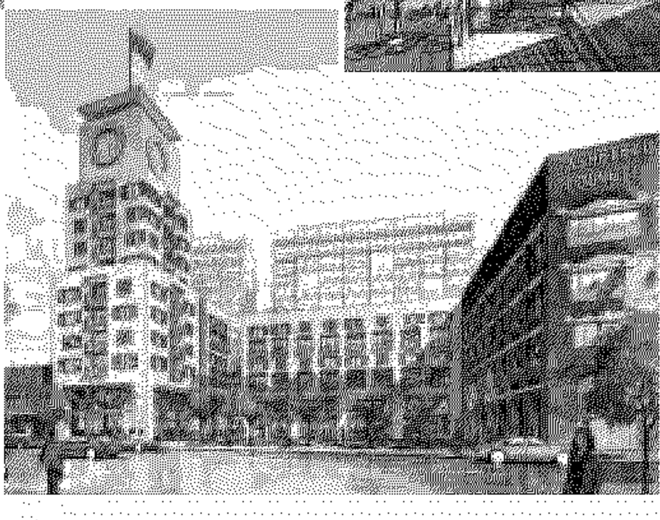
Ashfield Project

Another major opportunity for management to add significant value within the Group's portfolio is the refurbishment of Ashfield Mall and development of residential and commercial accommodation on adjacent property.

Abacus has been working with Ashfield Council on a redevelopment proposal which will revitalise the town centre and deliver major benefits to the whole Ashfield community. It includes creation of a large town square framed by new retail shops and cafés, upgraded Council facilities and approximately 200 residential apartments.

The community consultation process is well-advanced in anticipation of a further review of the project by Council later this year.

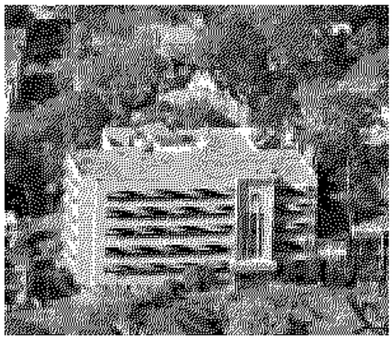


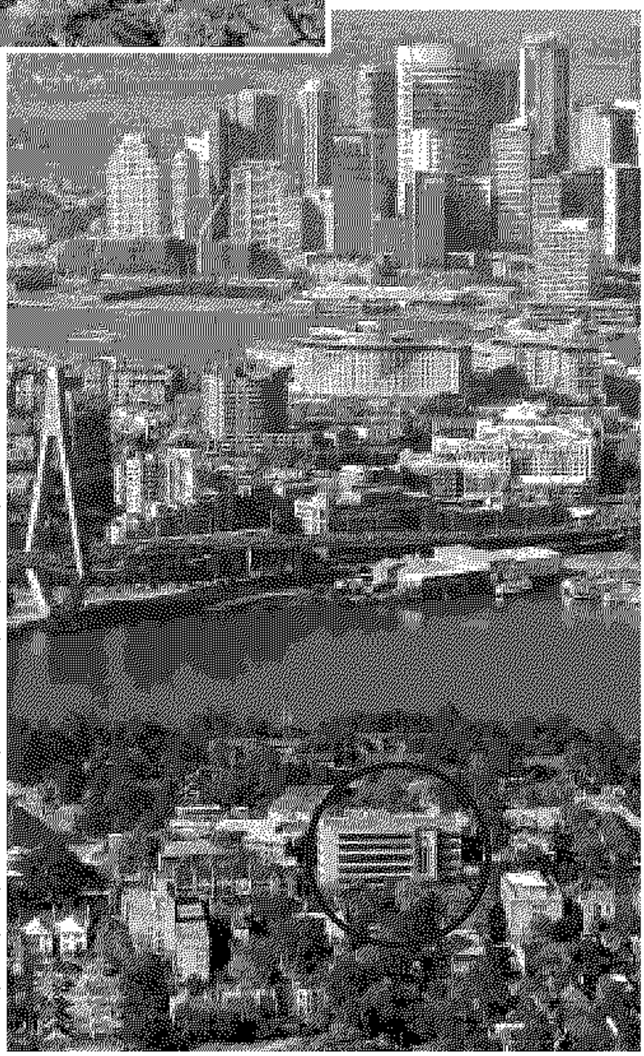


Glebe

Purchased in 1997 for $9.4 million, this six-storey office building is now valued at $11.0 million. Abacus is planning to convert this property to quality residential apartments to take advantage of its location in a primarily residential area close to the harbour, CBD and lifestyle facilities.

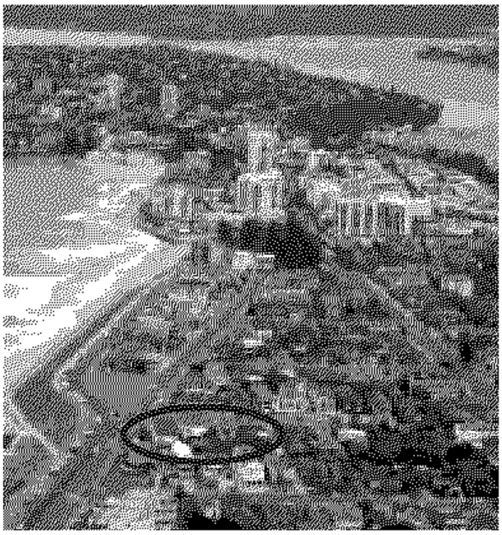
A development application will shortly be lodged with planning authorities, with finalisation of project plans expected during 2004. The leasing profile of the property has been managed to enable access to commence work from October 2005.



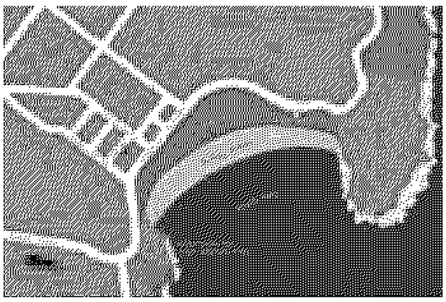


Other projects

The Abacus Property Group has a pipeline of projects in train to deliver transaction and development income, including performance fees and profit participation, in the years ahead. Many projects are undertaken through joint venture arrangements which allows us to leverage our own strengths and benefit from the complementary skills of our partners.



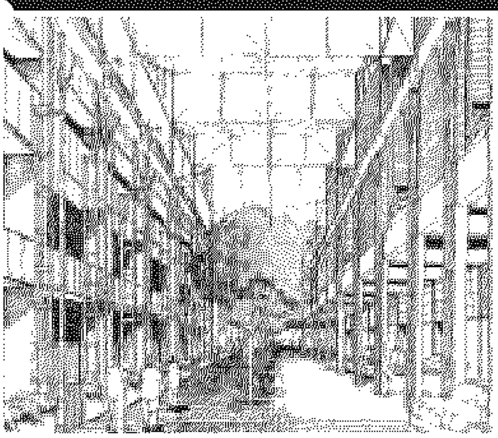
An amalgamated site in North Cronulla on Sydney's southern beaches provides a rare opportunity for a boutique residential development. The Abacus Diversified Income Fund owns a 50% interest in this project.



The property at Bondi Beach has recently received development approval for 33 residential apartments.

A residential estate in North Willoughby on Sydney's lower north shore, measuring 12,430 m² and with three street frontages, will be developed into quality new housing through a joint venture arrangement.

Spotlight Plaza in Campbelltown in Sydney's south-western suburbs offers redevelopment potential. The Abacus Diversified Income Fund owns a 50% interest in this project.



Development approval has been received to construct 110 apartments and retail shops at the former industrial site at Rosebery in Sydney's inner south.

Experienced and Qualified Management

While the Abacus Property Group has the legal structure of a separate company and trust, it is effectively managed as a single business with the board of Abacus Group Holdings Limited and the board of Abacus Funds Management Limited (as responsible entity of the Abacus Trust) meeting together.

The experienced board is supported by a dedicated team of 35 highly qualified staff, including experienced valuers and property management specialists as well as finance, legal, marketing, accounting and administration professionals.

Mr John Thame, Chairman

Mr John Thame was appointed Chairman of the boards of Abacus Funds Management Limited and Abacus Group Holdings Limited in September 2002 after previously serving as Chairman of Abacus Funds Management Limited from August 1997 to July 1999. Mr Thame has over 30 years experience in the retail financial services industry in senior management positions, including 10 years as Managing Director of Advance Bank until the Bank's merger with St George Bank Limited in 1997.

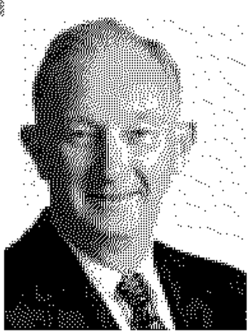
Mr Thame is a director of St George Bank Limited, AWB Limited, Reckon Limited, Village Building Co. Ltd and is a part-time member of the Council of the National Museum of Australia.

Dr Frank Wolf, Deputy Chairman

Dr Frank Wolf is the Chairman of FSP Group Pty Limited and a director of financial planning groups NOW Financial Services Holdings Pty Limited, Vector Financial Services Limited and Kingston Capital Limited as well as of HGL Limited, a diversified publicly listed investment company. Dr Wolf has over 20 years experience in the property and financial services industry and has been instrumental in over $1 billion worth of property-related transactions, corporate acquisitions and divestments.

Mr David Bastian, Managing Director

Mr David Bastian has almost 40 years experience in the financial services industry, in particular in the packaging of commercial, retail and residential property projects. He was Managing Director of Canberra Building Society for 20 years, during which period gross assets grew from $1 million to $650 million, and Managing Director of Pembroke Financial Planners Limited for 3 years, merging this company with Godfrey Weston Limited in 1995 to form Godfrey Pembroke Financial Services Limited. He established Abacus Funds Management Limited in 1996 and is also a director of FSP Group Pty Limited, Vector Financial Services Limited and Kingston Capital Limited.



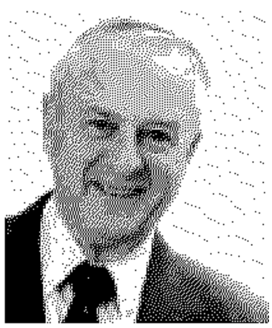
Mr John Thame

Dr Frank Wolf

Mr David Bastian

Mr Dennis Bluth

Mr Phillip Green



Mr Malcolm Irving

Mr Dennis Bluth

Mr Dennis Bluth holds Bachelor of Arts, Bachelor of Law and Master of Law degrees and has practised as a solicitor for over 25 years, principally in the area of property law. Mr Bluth is a partner with Abbott Tout Solicitors of Sydney, Canberra and Brisbane and is a member of a number of Law Society and Law Council Committees. He was formerly a director of Godfrey Pembroke Financial Services Limited.

Mr Phillip Green

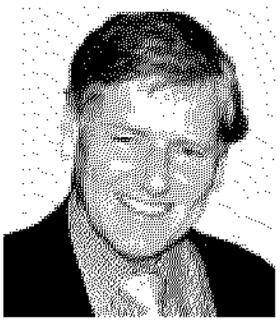
Mr Phillip Green holds Bachelor of Commerce and Bachelor of Law degrees and is a Chartered Accountant. He is the Managing Director of Babcock & Brown Pty Limited, a merchant banking group, and is also a member of the Group's international board. Mr Green has over 25 years experience in corporate finance, specialising in taxation and structured domestic and international corporate acquisitions. He is also a director of Tourism Asset Holdings Limited, MTM Funds Management Limited and Prime Infrastructure Management Limited.

Mr Malcolm Irving, AM

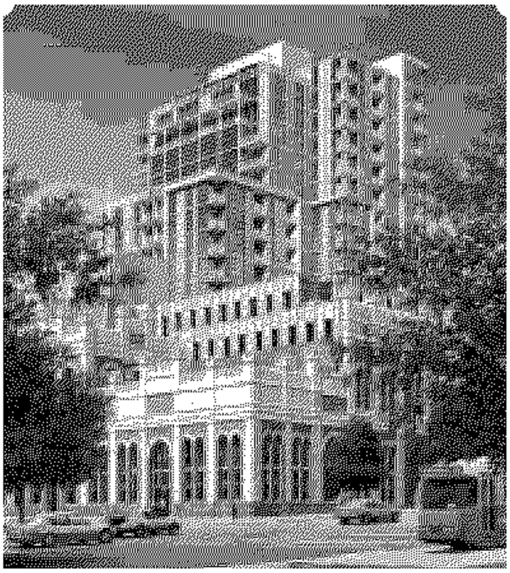
Mr Malcolm Irving has over 40 years experience in company management, including twelve years as Managing Director of CIBC Australian Limited. Mr Irving presently serves on a number of boards: he is Chairman of Australian Industry Development Corporation, ADI Limited, the Australian River Company Limited, Willis Australia Limited Group and Keycorp Limited and is also a director of O'Connell Street Associates Pty Ltd Group and Resimac Limited.

Mr Len Lloyd, Executive Director

Mr Len Lloyd is a licensed real estate agent and a registered real estate valuer with over 35 years property experience, including the development, management and funding of commercial, retail and residential property. Mr Lloyd joined the Abacus Group in October 2000 and now holds the position of Managing Director, Abacus Property Services Pty Limited responsible for property administration and development opportunities in assets under Abacus management. In previous positions, Mr Lloyd held responsibility for the property portfolios of the Advance Bank and St George Bank and provided business finance while with the Commonwealth Development Bank.



Mr Len Lloyd



Financial Information

The following financial information for the year ended 30 June 2003 is separated into three sets of financial statements:

The Abacus Property Group was admitted to the Australian Stock Exchange on 14 November 2002 following the acquisition of Abacus Funds Management Limited by Abacus Group Holdings Limited in October 2002.

The Group's combined financial statements therefore include the performance of Abacus Funds Management Limited for the period from 1 October 2002 (the effective date of acquisition) to 30 June 2003.

Concise Financial Report of the Abacus Property Group

Consisting of the combined financial reports of Abacus Group Holdings Limited (ABN 31 080 604 619) and its controlled entities and the Abacus Trust (ABN 27 921 263 285) and its controlled entities.

For the year ended 30 June 2003

This concise report has been derived from the full financial report for the year ended 30 June 2003.

A copy of the full financial report, including the auditor's report on the full financial report, is available and will be sent to any member without charge, on request, by telephoning (02) 9253 8600. Alternatively, the full financial report may be accessed by visiting the Abacus website at www.abacusproperty.com.au.

The concise report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Abacus Property Group, consisting of Abacus Group Holdings Limited and its controlled entities and the Abacus Trust and its controlled entities, as the full financial report.

Directors' Report

The directors present their report together with the combined financial report of the Abacus Property Group for the year ended 30 June 2003 and the auditor's report thereon.

The combined financial report of the Abacus Property Group comprises the consolidated financial reports of the Abacus Trust and its controlled entities and Abacus Group Holdings Limited and its controlled entities.

Directors

The directors of Abacus Group Holdings Limited and Abacus Funds Management Limited, the responsible entity of the Abacus Trust, at any time during the financial year and until the date of this report are:

John Thame	Chairman, appointed 11 September 2002
Frank Wolf	Deputy Chairman
David Bastian	Managing Director
Phillip Green	
Malcolm Irving	Appointed 12 September 2002
Dennis Bluth	
Len Lloyd	Executive Director (Abacus Group Holdings Limited)

Principal Activities

The principal activities of the Group during the course of the financial year were:

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

During the year, the Abacus Property Group broadened its business base through the acquisition of Abacus Funds Management Limited and its subsidiary, Abacus Property Services Pty Limited, in October 2002, resulting in funds management, property management and project management becoming principal activities of the Group.

Operating Profit

The Group earned an after tax profit of $33.8 million for the year ended 30 June 2003. The full year distribution 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. The Group now has retained earnings of $9.78 million.

Earnings per Stapled Security

	Year Ended 30 June 2003 cents	Year Ended 30 June 2002 cents
Basic earnings per stapled security	13.90	9.67
Earnings per stapled security including realised capital profits transferred from asset revaluation reserve	14.74	9.67

Distributions

Distributions were paid to stapled security-holders as follows:

	cents	$'000
Interim distribution paid 8 November 2002	2.625	5,084
Interim distribution paid 17 December 2002	1.295	3,023
Interim distribution paid 13 February 2003	1.330	3,596
Interim distribution paid 9 May 2003	2.625	7,098
Final distribution paid 12 August 2003	2.625	7,099
Total	**10.500**	**25,900**

Review of Operations

Group Overview

The Abacus Property Group is a listed entity consisting of the Abacus Trust and Abacus Group Holdings Limited. The Group operates wholly within Australia and is an investor in commercial, industrial and retail properties and other property-related securities.

The Abacus Trust holds an investment portfolio of commercial, industrial and retail properties and operates a mortgage lending business. Abacus Group Holdings Limited operates funds management and property management businesses and participates in property development through the active management of the assets within its portfolio and through joint venture projects.

Operating Results for the Period

A summary of combined revenue and profits is as follows:

	Year Ended 30 June 2003	
	Revenue $'000	Profit $'000
Business segments		
Property rental and sales	128,901	36,643
Financing	8,223	7,103
Funds management	3,451	3,126
	140,575	46,872
Combined entity adjustments	951	(13,064)
Combined entity operating revenue and profit	**141,526**	**33,808**

Directors' Report continued

The Abacus Trust sold the following investment properties during the year:

- CUB Office, Brisbane was sold in November 2002 for $14.25 million;
- 60 Albert Road, Melbourne was sold in March 2003 for $32.32 million; and
- 101 Pirie Street, Adelaide was sold in April 2003 for $14.25 million.

The Abacus Mortgage Fund increased the size of its mortgage book (including interest accrued) from $30 million at 30 June 2002 to $34 million at 30 June 2003. Interest income increased from $2.02 million in the year ended 30 June 2002 to $5.45 million for the year ended 30 June 2003.

Abacus Group Holdings Limited completed the sale of the retail strata of 109 Pitt Street Sydney in September 2002 for a total amount of $15.98 million and sold the leasehold interest in the carpark for $12 million. The sale of the initial commercial strata in the office tower, currently undergoing extensive refurbishment, has commenced.

Abacus Funds Management Limited established two new unlisted syndicates during the year. The Abacus Tribeca Investment raised $14.5 million in equity in December 2002 and the Abacus Diversified Income Fund was launched in June 2003 with initial assets of approximately $60 million.

Review of Financial Condition

Capital structure

During the year, approximately 105.5 million stapled securities were issued by the Abacus Property Group:

- 8.3 million stapled securities were issued in part consideration of the purchase of 101 Pirie Street, Adelaide during August 2002;
- 28.4 million stapled securities were issued through a prospectus dated 10 December 2001 which closed during September 2002 prior to the listing of the Group on 14 November 2002;
- 0.3 million securities were issued pursuant to the Distribution Reinvestment Plan, which was suspended prior to listing the Group;
- 31.5 million stapled securities were issued during October 2002 in part consideration of the purchase of Abacus Funds Management Limited; and
- 37.0 million stapled securities were issued through a prospectus dated 15 October 2002 immediately prior to the listing of the Group.

The gearing ratio, calculated as a percentage of total interest bearing liabilities over total assets of the Group, was reduced to 26.2% at 30 June 2003 compared to 48.8% at 30 June 2002. During the year, loans amounting to $56.3 million were repaid.

The Group manages interest rate exposure on debt facilities through the use of interest rate swap contracts. At year end, 81.9% of interest commitments were hedged.

Significant Changes

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

- The acquisition of Abacus Funds Management Limited and its subsidiary, Abacus Property Services Pty Limited, effective from 1 October 2002, resulting in funds management, property management and project management becoming principal activities of the Group.
- The Group listed on the Australian Stock Exchange on 14 November 2002;
- Contributed equity increased from $160.8 million to $266.3 million;
- A revaluation of properties during the year resulted in a net increase (after adjustment for sales) of $9.3 million;
- Retained earnings increased from ($0.2 million) to $9.8 million;
- The Abacus Diversified Income Fund was launched in June 2003 with assets of approximately $60 million; and
- Total assets under management increased to more than $550 million.

Significant Events after the Balance Date

Contracts have been exchanged for the sale of Central Brunswick, Fortitude Valley, Queensland for $20.25 million with settlement contracted to occur on 1 December, 2003.

No other significant events have occurred since balance date which may affect either the combined entity's operations or results of those operations or the combined entity's state of affairs that have not been disclosed already in this report.

Likely Developments and Expected Results

The directors have excluded from this report any other information on the likely developments in the operations of the Group and the expected results of those operations in future financial years, as the directors believe that it would be likely to result in unreasonable prejudice to the operation of the Group.

Environmental Regulation and Performance

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

Stapled Security Options

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

Directors' Report continued

Information on Directors

The directors of Abacus Group Holdings Limited and Abacus Funds Management Limited, the responsible entity of the Abacus Trust, at any time during the financial year and until the date of this report are as set out below, with their qualifications, experience and special responsibilities.

John Thame AIBF, FCPA	**Chairman (non-executive) – appointed 11 September 2002** **Member of Audit Committee** **Chairman of Nomination & Remuneration Committee** Mr John Thame has over 30 years experience in the retail financial services industry in senior management positions. His 26-year career with Advance Bank included 10 years as Managing Director until the Bank's merger with St George Bank Limited in 1997. Mr Thame is a director of St George Bank Limited, AWB Limited, Reckon Limited, Village Building Co Ltd and is a part-time member of the Council of the National Museum of Australia.
Frank Wolf PhD, BA Hons	**Deputy Chairman (executive)** Dr Frank Wolf is the Chairman of FSP Group Pty Limited and a director of financial planning groups Now Financial Services Holdings Pty Limited, Vector Financial Services Limited and Kingston Capital Limited as well as of HGL Limited, a diversified publicly listed investment company. Dr Wolf has over 20 years experience in the property and financial services industry.
David Bastian CPA	**Managing Director** Mr David Bastian has almost 40 years experience in the financial services industry, in particular in the packaging of commercial, retail and residential property projects. He was Managing Director of the Canberra Building Society for 20 years during which period gross assets grew from $1 million to $650 million. Mr Bastian is also a director of FSP Group Pty Limited and financial planning groups Vector Financial Services Limited and Kingston Capital Limited.
Dennis Bluth LLM, LLB, BA	**Non-executive director** **Chairman of Credit Committee** **Chairman of Due Diligence Committee** **Member of Audit Committee** **Member of Nomination & Remuneration Committee** Mr Dennis Bluth holds Bachelor of Arts, Bachelor of Law and Masters of Law degrees and has practised as a solicitor for over 25 years, principally in the area of property law. Mr Bluth is a partner with Abbott Tout Solicitors of Sydney, Canberra and Brisbane and is a member of a number of Law Society and Law Council Committees. He was formerly a director of Godfrey Pembroke Financial Services Limited.

Phillip Green LLB, BCom	**Non-executive director** Mr Phillip Green holds Bachelor of Commerce and Bachelor of Law degrees and is a Chartered Accountant. He is the Managing Director of Babcock & Brown Pty Limited, a merchant banking group and is also a member of the Group's international board. Mr Green has over 25 years experience in corporate finance specialising in taxation and structured domestic and international corporate acquisitions. He is also a director of Tourism Asset Holdings Limited, MTM Funds Management Limited, FSP Group Pty Limited and Prime Infrastructure Management Limited.
Malcolm Irving AM FIPA, FIDA, FSIA, BCom, Hon DLitt	**Non-executive director – appointed 12 September 2002** **Chairman of Audit Committee** **Member of Nomination & Remuneration Committee** Mr Malcolm Irving has over 40 years experience in company management, including 12 years as Managing Director of CIBC Australia Limited. Mr Irving is Chairman of Australian Industry Development Corporation, ADI Limited, the Australian River Company Limited, Willis Australia Limited Group and Keycorp Limited. He is also a director of O'Connell Street Associates Pty Ltd Group and Resimac Limited.
Len Lloyd FAPI	**Executive director (Abacus Group Holdings Limited)** Mr Len Lloyd is a licensed real estate agent and a registered real estate valuer with over 35 years property experience, including the development, management and funding of commercial, retail and residential property. Mr Lloyd joined Abacus in October 2000 and now holds the position of Managing Director of Abacus Property Services Pty Limited responsible for property administration and development opportunities in the Abacus portfolio. In previous positions, Mr Lloyd held responsibility for the property portfolios of the Advance Bank and St George Bank and provided business finance while with the Commonwealth Development Bank.

Directors' Report continued

Directors were in office from the beginning of the financial year until the date of this report unless otherwise stated.

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

John Thame	17,000
Frank Wolf	6,806,046
David Bastian	7,040,000
Phillip Green	9,366,930
Malcolm Irving	20,000

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

Directors' Benefits

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

Indemnification and Insurance of Directors and Officers

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

Directors' and Executives' Emoluments

Remuneration Policy

The board assesses the appropriateness of the nature and amount of emoluments of directors and officers on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum benefit from the retention of a high quality board and executive team.

Details of the nature and amount of each element of the emolument of each director and each of the five principal executive officers (other than executive directors) receiving the highest emoluments for the financial year are as follows:

Emoluments of directors:

	Base fee including superannuation $	Other benefits $	Other $	Total $
J Thame (non–executive)	58,921	–	–	58,921
F Wolf (executive)	500,000	250,000	–	750,000
D Bastian (executive)	450,000	250,000	–	700,000
D Bluth (non–executive)	36,656	–	–	36,656
P Green (non–executive)	23,568	–	–	23,568
M Irving (non–executive)	23,568	–	–	23,568
L Lloyd (executive)	–	25,000	151,978	176,978

Emoluments of executives:

	Base salary $	Superannuation $	Other benefits $	Total $
J L'Estrange	185,000	10,519	50,000	245,519
R Hill	184,481	10,519	25,000	220,000
K Kitchen	139,481	10,519	10,000	160,000
J Ryan	139,481	10,519	10,000	160,000
C Bibby	129,481	10,519	10,000	150,000

Employees

The Abacus Property Group employed 41 employees (including directors) as at 30 June 2003 (2002: 35 employees).

Directors' Meetings

Meetings of directors of Abacus Group Holdings Limited and Abacus Funds Management Limited, responsible entity of the Abacus Trust, are held simultaneously.

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

	Board	Audit Commitee	Due Diligence Commitee	Nomination & Renumeration Commitee	Credit Commitee
Number of meetings held:	21	3	15	1	11
Number of meetings attended:					
J Thame[1]	16	3	2	1	
F Wolf	21		15		10
D Bastian	21		15		11
D Bluth	15	2	14	1	9
P Green	14				
M Irving[2]	17	3		1	
L Lloyd[3]	21				

Notes:
1. Mr John Thame was appointed to the board on 11 September 2002
2. Mr Malcolm Irving was appointed to the board on 12 September 2002.
3. Mr Len Lloyd is a director of Abacus Group Holdings Limited only

Related Party Disclosures

Director transactions

Directors of the consolidated entity and directors of its related parties, or their director-related entities, conduct transactions with entities within the consolidated entity that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arm's length in similar circumstances.

Directors' Report continued

During the year ended 30 June 2003, directors received distributions from the controlled entity on their stapled securities in the Abacus Property Group and on their investment in various Trusts managed by Abacus Funds Management Limited as responsible entity.

Director-related entity transactions

Abbott Tout was paid $496,431 (2002: $246,250) for legal services in connection with the Group's restructure and listing and for other legal services. A partner in Abbott Tout, Mr Dennis Bluth, is a director of Abacus Funds Management Limited and Abacus Group Holdings Limited.

Babcock & Brown Pty Limited was paid an arrangement fee of $100,000 for a loan agreement entered into by AGHL. Mr Phillip Green, the Managing Director of Babcock & Brown Pty Limited, is a director of Abacus Funds Management Limited and Abacus Group Holdings Limited.

Abacus Funds Management Limited and its subsidiary, Abacus Property Services Pty Limited, were acquired by Abacus Group Holdings Limited from FSP Group Pty Limited (FSP). FSP paid Abacus Group Holdings Limited $167,032 as its 20% share in the costs associated with the acquisition of Abacus Funds Management as per the Information Memorandum dated 26 September 2002. During the year, FSP was paid $236,425 for rental of office premises and for telephone and electricity charges. Dr Frank Wolf, Mr David Bastian and Mr Phillip Green are directors of Abacus Funds Management Limited, Abacus Group Holdings Limited and FSP.

Movements in directors' equity holdings

During October 2002, 31.5 million stapled securities were issued in part consideration of the purchase of Abacus Funds Management Limited. 21,212,976 of the 23,249,976 stapled securities in which directors have an interest were issued as part of this consideration. The balance of 2,037,000 stapled securities were purchased on market.

There have been no other transactions concerning equity instruments during the financial year with directors or their director-related entities.

Related party transactions

All related party transactions are conducted on normal commercial terms and conditions.

Register of Security-Holders

The register of security-holders has, during the year ended 30 June 2003, been properly drawn up and maintained so as to give a true account of the security-holders of the fund.

Rounding

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

Corporate Governance

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

Signed in accordance with a resolution of the directors.
Abacus Funds Management Limited
(ABN 66 007 415 590)
Abacus Group Holdings Limited
(ABN 31 080 604 619)

David J Bastian
Managing Director

John Thame
Chairman

Sydney, 12 September 2003

Discussion and Analysis of the Combined Financial Statements

Combined Statements of Financial Performance and Distribution

Net profit after tax and before revaluation increased by 140% from $14,039,000 last year to $33,808,000 in the year under review. Earnings per stapled security (EPSS) after amortisation and after tax (but before revaluation) increased from 9.67 cents to 13.90 cents per stapled security, an increase of 44%.

The increase in net profit facilitated the 7.7% increase in the distribution paid to investors during the year and the increase in retained earnings to $9,785,000, equal to 3.60 cents per stapled security.

Total revenue from ordinary activities increased by 345%, to $140,745,000 from $31,633,000 in the previous year. This increase was driven by the sale of investment properties amounting to $98,863,000, including the sale of CUB Office, Brisbane for $14,250,000, 60 Albert Road, Melbourne for $32,320,000, 101 Pirie Street, Adelaide for $14,250,000 and components of109 Pitt Street, Sydney for $38,043,000.

Income from property rental increased by 7% from $27,953,000 to $30,038,000 in the year under review. This was due to the rental income received from the three properties acquired late in the 2002 financial year and the Bankstown property acquired in December 2002 offsetting the loss of rental income from properties sold during the year.

Interest and fee income earned from investment in mortgage loans to borrowers outside the Group increased by 135%, from $3,163,000 to $7,442,000. Interest earned on loans between the Trust and the Company amounting to $9,583,000 has been eliminated on aggregation.

Income from management fees, which includes property and funds management and other consulting fees, was a result of the acquisition of Abacus Funds Management Limited effective from 1 October 2002 providing new income streams to the Group. This income contribution amounted to $3,451,000 for the nine-month period since acquisition and excludes fees received from entities within the Group amounting to $3,080,000.

Income from one of the Group's joint ventures, Abacus Equity Fund Neutral Bay, contributed $781,000 to the growth in earnings.

The acquisition of Abacus Funds Management Limited, which increased the growth of the business in many areas, also resulted in an increase in expenses from $17,595,000 to $24,553,000. The increase of $6,958,000 was mainly attributable to merger and listing costs of $628,000, amortisation of intangibles $1,594,000 and staff costs of $3,207,000. Property maintenance costs and property outgoings were $4,367,000 in the year under review compared to $4,051,000 in the previous year.

Combined Statement of Financial Position

Total assets of the Group increased by 23% from $337,882,000 to $414,195,000. Investment properties had a net decrease of $38,960,000 due to the sale of properties with a total carrying amount of $79,888,000. This was offset in part by the acquisition of 4-8 Jacobs Street, Bankstown acquired for $5,147,000, capital outlay for the refurbishment of 109 Pitt Street, Sydney of $7,872,000 and other capital expenditures of $3,481,000.

Bank borrowings were reduced by $56,305,000 from $164,780,000 to $108,475,000 in the year, reducing gearing from 48.8 to 26.2% as at 30 June 2003.

New capital of $68,972,000 was raised through two prospectuses. In addition, controlled entities were acquired with the issue of stapled securities amounting to a total of $39,810,000.

From a net loss of $162,000 in the previous year, retained earnings increased to $9,785,000 despite an increase in distributions from $14,181,000 to $25,900,000. The increase was due to surplus income of $7,908,000 and capital profits amounting to $2,039,000.

Discussion and Analysis of the Combined Financial Statements continued

Combined Statement of Cash Flows

Net cash flows from operating activities increased by $21,442,000 from $10,242,000 to $31,684,000 in the current year. The movement comprised an increase in revenue receipts of $27,723,000 offset by an increase in expenses of $6,281,000.

Cash from investing activities provided a net inflow of $13,858,000. The proceeds from loans repaid ($22,720,000) and from the sale of investment properties ($77,290,000) funded investment in new loans of $55,516,000, in joint ventures of $3,003,000 and in other securities of $6,825,000. It also funded the acquisition of controlled entities to the value of $4,308,000 (cash component) and investment properties $16,500,000.

Cash flows from financing activities, mainly proceeds from the issue of stapled securities of $68,972,000 less issue costs of $3,798,000, were used to retire debts.

Combined Statement of Financial Performance and Distribution

Year ended 30 June 2003

	Notes	AGGREGATED Year Ended 30 June 2003 $'000	Year Ended 30 June 2002 $'000
Statement of Financial Performance			
Revenues from ordinary activities	2	140,745	31,633
Depreciation and amortisation expenses	3	(1,660)	(21)
Carrying amount of investment properties disposed		(79,888)	–
Borrowing costs expense	3	(10,737)	(10,790)
Salaries and employee benefits expense		(3,207)	–
Bad and doubtful debts	3	(271)	(962)
Other expenses from ordinary activities	3	(8,678)	(5,822)
Share of net profits of joint ventures accounted for using the equity method	2	781	1
Profit from ordinary activities before income tax expense		**37,085**	**14,039**
Company income tax expense		(3,277)	–
Net profit attributable to APG security-holders		**33,808**	**14,039**
Increase in asset revaluation reserve		9,317	5,145
Total revenues, expenses, and valuation adjustments attributable to APG security-holders and recognised directly in equity		**9,317**	**5,145**
Total changes in equity other than those resulting from transactions with security-holders as owners		**43,125**	**19,184**
Basic and diluted earnings per stapled security (cents)		13.90	9.67
Statement of Distribution			
Net operating profit from ordinary activities		33,808	14,181
Net transfer of non-distributable income (to)/from security-holders' funds		(7,908)	(142)
Distribution paid in advance			142
Distributions paid and payable	4	25,900	14,181
Distribution per stapled security (cents per unit)		10.50	9.75

Combined Statement of Financial Position

Year ended 30 June 2003

	Notes	AGGREGATED Year Ended 30 June 2003 $'000	Year Ended 30 June 2002 $'000
Current assets			
Cash assets		29,166	2,716
Receivables		17,810	6,385
Investment properties	5	37,013	–
Other financial assets		31,137	14,415
Other		1,035	1,388
Total current assets		**116,161**	**24,904**
Non-current assets			
Property, plant and equipment		177	–
Investment properties	5	224,881	300,854
Investments accounted for using the equity method		4,504	1,501
Other financial assets		34,114	10,611
Deferred tax assets		172	–
Intangible assets		34,169	–
Other		17	12
Total non-current assets		**298,034**	**312,978**
Total assets		**414,195**	**337,882**
Current liabilities			
Payables		4,274	3,136
Interest-bearing liabilities		40,975	49,625
Current tax liabilities		3,223	–
Provisions		7,314	4,143
Total current liabilities		**55,786**	**56,904**
Non-current liabilities			
Interest-bearing liabilities		67,500	115,155
Provisions		328	–
Total non-current liabilities		**67,828**	**115,155**
Total liabilities		**123,614**	**172,059**
Net assets		**290,581**	**165,823**
Equity			
Contributed equity		266,334	160,840
Asset revaluation reserve		14,462	5,145
Retained earnings/(accumulated losses)	6	9,785	(162)
Total equity		**290,581**	**165,823**
Net tangible asset backing per stapled security ($)		0.95	1.01

Combined Statement of Cash Flows

Year ended 30 June 2003

	AGGREGATED	
	Year Ended 30 June 2003 $'000	Year Ended 30 June 2002 $'000
Cash flows from operating activities		
Income receipts	48,683	22,920
Bank 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)
Net cash flows from operating activities	**31,684**	**10,242**
Cash flows from investing activities		
Payments for investments	(65,344)	(35,315)
Proceeds from settlement of investments	22,720	–
Purchase of controlled entities	(4,308)	–
Purchase of investment properties	(16,500)	(46,043)
Disposal of investment properties	77,290	–
Net cash flows from/(used in) investing activities	**13,858**	**(81,358)**
Cash flows from financing activities		
Proceeds from issue of stapled securities	68,972	26,474
Payment of establishment fees	(3,798)	(2,742)
Repayments of borrowings	(61,481)	(37,724)
Proceeds from borrowings	–	92,693
Distributions paid	(22,785)	(13,297)
Net cash flows from/(used in) financing activities	**(19,092)**	**65,404**
Net increase/(decrease) in cash held	**26,450**	**(5,712)**
Add opening cash brought forward	2,716	8,428
Closing cash carried forward	**29,166**	**2,716**

Notes to the Concise Financial Statement

Year ended 30 June 2003

1. Basis of Preparation of the Financial Report

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

The financial report should be read in conjunction with the Annual Financial Report of the Abacus Property Income Trust (now the Abacus Trust) and of Ashmall Development Limited (now Abacus Group Holdings Limited) as at 30 June 2002. It is also recommended that the financial report be considered together with any public announcements made by the Abacus Property Group during the year ended 30 June 2003 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of accounting

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The financial report has been prepared in accordance with the historical cost convention except for investment properties which are carried at fair value.

Changes in accounting policies

Accounting policies are consistent with those of the prior year unless otherwise stated.

The Group has applied the new Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time for the year ended 30 June 2003.

The new Standard requires a provision for distribution will only be recognised at the reporting date where the distribution has been declared, determined or publicly recommended prior to the reporting date.

There has been no effect of the revised policy on the current or previous year financial statements.

Principles of aggregation

The combined financial statements include the aggregated financial statements of the Abacus Trust and its controlled entities and Abacus Group Holdings Limited and its controlled entities, referred to collectively throughout these financial statements as the "Abacus Property Group" or "Group".

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is a loss of control of a subsidiary, the combined financial statements include the results for that part of the reporting period during which the parent company has control. Subsidiary acquisitions are accounted for using the purchase method of accounting.

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

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Abacus Funds Management Limited and its subsidiary, Abacus Property Services Pty Limited, were acquired by Abacus Group Holdings Limited on 25 October 2002 with effect from 1 October 2002. The Companies' operating results have been consolidated in the Statement of Financial Performance of Abacus Group Holdings Limited from 1 October 2002.

The operating results of Abacus Pirie Street Property Trust and Abacus Pirie Street Trust have been consolidated in the Statement of Financial Performance of the Abacus Trust from 1 July 2002.

2. Revenue from Ordinary Activities

	AGGREGATED Year Ended 30 June 2003 $'000	Year Ended 30 June 2002 $'000
Revenues from operating activities		
Property rental income	30,038	27,953
Interest income from investments	6,984	3,163
Fee income from investments	458	–
Revenue from sale of investment properties	98,863	–
Property management fees (from external assets)	128	–
Fund management fees (from external assets)	734	–
Consulting and other fees	2,589	–
Total revenues from operating activities	139,794	31,116
Revenues from non-operating activities		
Bank interest	951	517
Total revenues from non-operating activities	951	517
Total revenues from ordinary activities	**140,745**	**31,633**
Share of net profit of joint ventures accounted for using the equity method		
Share of joint venture profits	781	1

Notes to the Concise Financial Statements continued
Year ended 30 June 2003

3. Expenses

	AGGREGATED	
	Year Ended 30 June 2003 $'000	Year Ended 30 June 2002 $'000
Depreciation of non-current assets		
Plant and equipment	41	–
Total depreciation of non-current assets	41	–
Amortisation of non-current assets		
Finance costs	8	21
Goodwill	1,594	–
Software	17	–
Total amortisation of non-current assets	1,619	21
Total depreciation and amortisation expenses	1,660	21
Borrowing costs expensed		
Interest expense	10,737	10,790
Other borrowing costs	14	–
Total borrowing costs	10,751	10,790
Less borrowing costs capitalised	(14)	–
Total borrowing costs expensed	10,737	10,790
Bad and doubtful debts	271	962
Other expenses		
Property outgoings	4,367	4,051
Expenses on sales of investment properties	1,451	–
Performance fee	3	388
Auditor's remuneration	73	34
Responsible entity's remuneration	331	976
Custody fees	78	41
Distribution costs	(3)	76
Other	2,378	256
Other expenses from ordinary activities	8,678	5,822

4. Distributions Paid or Provided for on Stapled Securities

	AGGREGATED	
	Year Ended 30 June 2003 $'000	Year Ended 30 June 2002 $'000
(a) Distributions proposed and recognised as a liability		
Distribution (2.63c per stapled security) (2002: 2.63c)	7,099	4,143
(b) Distributions paid during the year		
(i) Current year interim distribution (7.88c per stapled security) (2002: 7.12c)	18,801	10,038
	25,900	14,181
(ii) Previous year final distribution (2.63c per stapled security)	4,143	–

The distributions were paid from the Abacus Trust which does not pay tax, hence there were no franking credits attached.

(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
– franking account balance as at the end of the financial year at 30%	2,132	–
– franking credits that will arise from the payment of income tax payable as at the end of the financial year	3,213	–
Total franking credits	5,345	–

Notes to the Concise Financial Statements continued
Year ended 30 June 2003

5. Investment Properties

Property	Acquisition date	Cost including all additions $'000	Independent valuation date	Independent valuation $'000	Aggregated value (a) Jun-03 $'000	Aggregated value (a) Jun-02 $'000
Current asset						
109 Pitt Street, Sydney, NSW (i) (b)	22/6/99	31,055			37,013	–
Current asset – Investment properties					37,013	–
(b) Non-current assets						
10 Market Street, Brisbane, QLD (i)	22/4/02	20,058	31/1/02	18,700	20,059	19,651
66 Christina Road, Villawood, NSW (ii)	28/5/02	8,028	1/1/02	7,500	8,028	7,998
CSIRO, Limestone Ave., Campbell, ACT (iii)	21/6/02	12,685	1/7/02	12,000	12,685	12,625
60 Albert Road, South Melbourne, VIC (i)	18/5/98	29,028	1/9/02	31,500	–	31,517
CUB, Bowen Tce, Fortitude Valley, QLD (i)	5/2/97	11,945	1/9/02	12,650	–	12,600
Central Brunswick, Fortitude Valley, QLD (iv)	27/2/98	25,126	1/9/02	20,000	20,000	24,137
4 Ray Road, Epping, NSW (i)	30/4/97	26,967	1/9/02	35,000	35,242	34,500
431 Glebe Point Road, Glebe, NSW (i)	23/9/97	10,497	1/9/02	11,000	11,074	11,308
Ashfield Mall, Ashfield, NSW (v)	15/9/97	69,662	30/6/03	89,000	89,000	77,580
10-12 Pike Street, Rydalmere, NSW (i)	1/10/98	14,262	1/9/02	14,900	14,900	14,500
Properties owned by Abacus Trust and its controlled entities					210,988	246,416
244 Liverpool Road, Ashfield, NSW (i)	26/3/98	2,507				
252 Liverpool Road, Ashfield, NSW (i)	2/3/00	1,107				
254 Liverpool Road, Ashfield, NSW (i)	31/8/01	2,662				
256 Liverpool Road, Ashfield, NSW (i)	29/9/98	820				
Project development costs		449				
Ashfield Properties		7,545	1/1/01	8,600	8,746	8,629
109 Pitt Street, Sydney, NSW (i) (refer Current)	22/6/99				–	45,809
4-8 Jacobs Street, Bankstown (vi)	2/12/02	5,147		4,765	5,147	–
Properties owned by AGHL and its controlled entities					13,893	54,438
Non-current – Investment properties					224,881	300,854
Total investment properties					**261,894**	**300,854**

(i) As valued by Landmark White
(ii) As valued by Knight Frank
(iii) As valued by CB Richard Ellis
(iv) At directors' valuation
(v) As valued by FPD Savills
(vi) As valued by Colliers International Consultancy and Valuation Pty Ltd

(a) The aggregated value at 30 June 2003 includes capital expenditures after the last valuation date.

(b) The property at 109 Pitt Street is currently under refurbishment and has been subdivided into strata titles. The retail component and the leasehold interest in the car park were sold during the year while the sale of the commercial units is in progress.

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

	AGGREGATED	
	Year Ended 30 June 2003 $'000	Year Ended 30 June 2002 $'000
Reconciliation of the carrying amounts of investment properties at the beginning and end of the current and previous financial year:		
Carrying amount at beginning	300,854	248,959
Additions	31,611	92,559
Net revaluation increments	9,317	5,145
Disposals	(79,888)	(45,809)
Value at year end	261,894	300,854

6. Additional Information

Reconciliation of retained earnings/(accumulated losses)		
Balance at the beginning of year	(162)	(19)
Net profit attributable to APG security-holders	33,808	14,038
Capital profits	2,039	–
Total available for appropriation	35,685	14,019
Distributions provided for or paid	(25,900)	(14,181)
Balance at end of year	9,785	(162)

Notes to the Concise Financial Statements continued

Year ended 30 June 2003

7. Change in Composition of Entity

Acquisition of Controlled Entities

Abacus Property Group acquired 100% ownership of the following controlled entities during the year. The components of the acquisition cost were:

Entity	Notes	Date Acquired	Consideration given	$'000
Abacus Pirie Street Property Trust and Abacus Pirie Street Trust	(a)	1-Jul-02	8,263,933 securities	8,310
Abacus Funds Management Limited and its subsidiary Abacus Property Services Pty Limited	(b)	1-Oct-02	30,000,000 securities $7,000,000 cash	31,500 7,000
Total consideration				**46,810**

Net assets of the controlled entities at acquisition date:	
Cash	2,692
Receivables	2,971
Other financial assets	210
Investment properties	13,000
Other investments	823
Property, plant and equipment	190
Goodwill purchased	35,764
Payables	(2,861)
Interest bearing liabilities (secured)	(5,176)
Other liabilities/provisions	(803)
Total net assets	**46,810**
Net cash effect	
Cash consideration paid	(7,000)
Cash included in net assets acquired	2,692
Cash paid for purchase of controlled entities as reflected in the combined financial report	**(4,308)**

(a) The Abacus Pirie Street Property Trust and Abacus Pirie Street Trust were acquired by the Abacus Trust through the issue of stapled securities in the Abacus Property Group.

(b) The companies were acquired by Abacus Group Holdings Limited from FSP Group Pty Limited, a related party, at a total cost of $38.5 million. $7 million was paid in cash and the balance of $31.5 million was settled by the issue of 30 million stapled securities in the Abacus Property Group.

8. Segment Information

Business Segments

	Property Rental & Sales		Financing		Funds Management		Total	
	June 2003	June 2002	June 2003	June 2002	June 2003	June 2002	June 2003	June 2002
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue:								
Revenues from customers outside the Group	128,901	27,953	8,223	3,163	3,451	–	140,575	31,116
Interest revenue							951	517
Total aggregated revenue	128,901	27,953	8,223	3,163	3,451	–	141,526	31,633
Segment results:								
Segment result	36,642	21,923	7,103	2,134	3,126	–	46,871	24,312
Interest income							951	517
Income tax							(3,277)	–
Borrowing costs							(10,737)	(10,790)
Group net profit	36,642	21,923	7,103	2,134	3,126		33,808	14,039
Segment assets:								
Segment assets	229,027	312,113	142,313	25,769	42,683	–	414,023	337,882
Unallocated assets							172	–
Total assets	229,027	312,113	142,313	25,769	42,683		414,195	337,882
Segment liabilities:								
Segment liabilities	96,313	163,540	15,256	8,519	1,724	–	113,293	172,059
Unallocated liabilities							10,321	–
Total liabilities	96,313	163,540	15,256	8,519	1,724		123,614	172,059
Other segment information:								
Acquisition of controlled entities	8,310	46,418	–	–	38,500	–	46,810	46,418
Depreciation and amortisation	8	–	–	–	1,611	–	1,619	–
Non-cash expenses other than depreciation and amortisation	534	212	–	750	–	–	534	962

9. Commitments and Contingencies

The Group has remaining unpaid contributions to the joint venture projects entered into during the year to an aggregate amount of $1,660,000 and expenditure commitments of $7,069,000 to complete the refurbishment of the property at 109 Pitt Street, Sydney.

10. Subsequent Events

Contracts have been exchanged for the sale of Central Brunswick, Fortitude Valley, Queensland for $20.25 million with settlement contracted to occur on 1 December 2003.

Since 30 June 2003, there has not been any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Group.

Directors' Declaration

In accordance with a resolution of the directors of Abacus Group Holdings Limited and Abacus Funds Management Limited, responsible entity of the Abacus Trust, we state that in the opinion of the directors:

(a) the concise financial report of the Group for the year ended 30 June 2003 is in accordance with Accounting Standard AASB 1039 "Concise Financial Reports"; and

(b) the financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2003.

On behalf of the board:

David J Bastian
Managing Director

John Thame
Chairman

Sydney, 12 September 2003

Independent Audit Report

ERNST & YOUNG

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Independent audit report to the stapled security-holders of Abacus Property Group

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the aggregated financial statements of Abacus Group Holdings Limited and Abacus Trust and the entities they controlled as at 30 June 2003 or from time to time during the year ended on that date ('the aggregated entity').

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

Audit approach

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

We performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports". We formed our audit opinion on the basis of these procedures, which included:

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

We have also performed an independent audit of the full financial report of the company for the year ended 30 June 2003. Our audit report on the full financial report was signed on 15 September 2003, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

Independence

We are independent of the aggregated entity, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the full and concise financial reports, we were engaged to undertake the services disclosed in the notes to the financial statements of the full financial report. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the concise financial report of Abacus Property Group complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Ernst & Young

Ernst & Young

Mark O'Sullivan
Partner
Sydney
15 September 2003

Concise Financial Report of Abacus Group Holdings Limited

The combined financial report of Abacus Group Holdings Limited (ABN 31 080 604 619) and its controlled entities

For the year ended 30 June 2003

This concise report has been derived from the full financial report for the year ended 30 June 2003. A copy of the full financial report, including the auditor's report on the full financial report, is available and will be sent to any member without charge, on request, by telephoning (02) 9253 8600. Alternatively, the full financial report may be accessed by visiting the Abacus website at www.abacusproperty.com.au.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Abacus Group Holdings Limited and its controlled entities as the full financial report.

Directors' Report

The directors of Abacus Group Holdings Limited submit their report for the Company for the year ended 30 June 2003.

Directors

The directors of Abacus Group Holdings Limited at any time during the financial year and until the date of this report are:

John Thame	Chairman, appointed 11 September 2002
Frank Wolf	Deputy Chairman
David Bastian	Managing Director
Phillip Green	
Malcolm Irving	Appointed 12 September 2002
Dennis Bluth	
Len Lloyd	Executive Director

Principal Activities

The principal activities of Abacus Group Holdings Limited during the year were:

- funds management and syndication;
- property and project management; and
- participation in property development activities.

During October 2002, Abacus Group Holdings Limited acquired Abacus Funds Management Limited and its subsidiary, Abacus Property Services Pty Limited, resulting in funds management, property management and project management becoming principal activities of the Company.

Operating Profit

Abacus Group Holdings Limited earned an after tax profit of $5.69 million for the year ended 30 June 2003 and now has retained earnings of $7.00 million.

Earnings Per Share

	cents
Basic and diluted earnings per share	2.34

Dividends

There were no dividends paid by Abacus Group Holdings Limited during the year. Distributions to members were funded by the Abacus Trust.

Directors' Report continued

Review of Operations

Overview

Abacus Group Holdings Limited is stapled to the Abacus Trust to form the Abacus Property Group. The Group operates wholly within Australia and is an investor in property-based assets and other property-related activities.

Operating Results for the Period

A summary of combined revenue and profits is as follows:

	Year Ended 30 June 2003 Revenue $'000	Profit $'000
Business segments		
Property rental and sales	42,907	16,673
Financing	2,404	2,312
Funds management	4,581	741
	49,892	19,726
Combined entity adjustments	206	(14,034)
Combined entity operating revenue and profit	**50,098**	**5,692**

Abacus Group Holdings Limited completed the sale of the retail strata of 109 Pitt Street Sydney in September 2002 for a total amount of $15.98 million and sold the leasehold interest in the carpark for $12 million. The sale of the initial commercial strata in the office tower, currently undergoing extensive refurbishment, has commenced.

Abacus Funds Management Limited established two new unlisted syndicates during the year. The Abacus Tribeca Investment raised $14.5 million in equity in December 2002 and the Abacus Diversified Income Fund was launched in June 2003 with initial assets of approximately $60 million.

Review of Financial Condition

Capital structure

During the year, approximately 105.5 million shares were issued by Abacus Group Holdings Limited:

- 8.3 million shares were issued in part consideration of the purchase of 101 Pirie Street, Adelaide during August 2002;
- 28.4 million shares were issued through a prospectus dated 10 December 2001 which closed during September 2002 prior to the listing of the Group on 14 November 2002;
- 0.3 million shares were issued pursuant to the Dividend Reinvestment Plan, which was suspended prior to listing the Group;
- 31.5 million shares were issued during October 2002 in part consideration of the purchase of Abacus Funds Management Limited; and
- 37.0 million shares were issued through a prospectus dated 15 October 2002 immediately prior to the listing of the Group.

Review of Financial Condition continued

The operations of Abacus Group Holdings Limited are primarily funded by loans from the Abacus Trust. At 30 June 2003 the loan balance including interest was $99.66 million. This funding is supplemented by bank borrowings amounting to $20.08 million.

Significant Changes

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

- Contributed equity of the Company increased from $2.53 million to $6.66 million;
- A revaluation of properties during the year resulted in a net increase (after adjustment for sales) of $2.26 million;
- Retained earnings increased to $7.00 million (2002: ($0.2)); and
- Abacus Group Holdings Limited acquired Abacus Funds Management Limited and its subsidiary, Abacus Property Services Pty Limited, effective from 1 October 2002, resulting in funds management, property management and project management becoming principal activities.

Significant Events after the Balance Date

No significant events have occurred since balance date which may affect either the Company's operations or results of those operations or its state of affairs that have not been disclosed already in this report.

Likely Developments and Expected Results

The directors have excluded from this report any other information on the likely developments in the operations of the Company and the expected results of those operations in future financial years, as the directors believe that it would be likely to result in unreasonable prejudice to the operations of the Company.

Environmental Regulation and Performance

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

Share Options

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

Directors' Report continued

Information on Directors

The directors of Abacus Group Holdings Limited at any time during the financial year and until the date of this report are as set out below:

John Thame AIBF, FCPA	Chairman (non-executive) – appointed 11 September 2002
Frank Wolf PhD, BA Hons	Deputy Chairman (executive)
David Bastian CPA	Managing Director
Phillip Green LLB, BCom	Non-executive director
Malcolm Irving AM FIPA, FIDA, FSIA BCom, Hon DLitt	Non-executive director – appointed 12 September 2002
Dennis Bluth LLM, LLB, BA	Non-executive director
Len Lloyd FAPI	Executive director

Directors were in office from the beginning of the financial year until the date of this report unless otherwise stated.

Rounding

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

Signed in accordance with a resolution of the directors.

Abacus Group Holdings Limited (ABN 31 080 604 619)

David J Bastian
Managing Director

John Thame
Chairman

Sydney, 12 September 2003

Discussion and Analysis of the Consolidated Financial Statements

Statement of Financial Performance

The acquisition of 109 Pitt Street, Sydney and 4-8 Jacobs Street, Bankstown added $4,318,000 to rental income. The acquisition of Abacus Funds Management Limited provided income from funds management, property management, joint ventures and other investments of $4,672,000. The income from the progressive sale of 109 Pitt Street, Sydney comprised the sale of the retail strata for $15,983,000, leasehold interest in the carpark for $12,000,000 and the initial stage of the commercial strata suites for $10,060,000.

The increased activity during the year resulted in an increase in expenses with borrowing costs increasing by $10,500,000 and other operating expenses by $8,074,000.

From a net loss of $142,000 in the previous year, Abacus Group Holdings Limited had a net profit before tax of $8,969,000 in the year under review.

Statement of Financial Position

Total assets grew from $56,484,000 to $143,286,000 in the current year, an increase of $86,802,000 or 154%. This includes goodwill of $34,169,000 resulting from the acquisition of Abacus Funds Management Limited.

Abacus Group Holdings Limited advanced loan funds of $28,950,000 during the year and invested $3,003,0000 in new joint ventures, and $6,825,000 in securities.

The acquisition of Abacus Funds Management Limited and the investments described above were funded from loans provided by the Abacus Trust, increasing interest bearing and other liabilities by $67,226,000.

Retained earnings increased from a loss of $162,000 at the end of June 2002 to $7,004,000 as at 30 June 2003, comprised of net profit of $5,692,000 and capital profits of $1,474,000 realised from the sale of investment properties.

Statement of Cash Flows

Cash flows from operating activities increased by $15,988,000 in the current year from ($73,000) in the previous corresponding period. Cash inflow from income increased from $400,000 to $24,337,000. Expenses increased by $8,972,000 resulting from the addition of new business activities.

Net cash invested in business activities decreased from $62,074,000 to $40,381,000 in the year under review. Investments included a net increase in loans of $37,425,000, the purchase of Abacus Funds Management Limited for $4,825,000 (cash component) and the purchase of investment properties including plant and equipment of $14,601,000. Cash inflow from the disposal of the retail component and commercial strata suites of 109 Pitt Street, Sydney amounted to $15,695,000 and $775,000 respectively.

Cash flows from financing activities include net cash proceeds from borrowings $26,143,000 and net cash proceeds from the issue of shares $3,916,000.

Statement of Financial Performance
Year ended 30 June 2003

	Notes	CONSOLIDATED 30 June 2003 $'000	30 June 2002 $'000
Revenues from ordinary activities	2	49,317	474
Depreciation and amortisation expenses	3	(1,397)	(21)
Carrying amount of controlled entities disposed		(21,938)	–
Borrowing costs expense	3	(10,963)	(463)
Bad and doubtful debts		(4)	–
Salaries and employee benefits expense		(2,904)	–
Other expenses from ordinary activities	3	(3,923)	(133)
Share of net profits of joint ventures accounted for using the equity method	2	781	1
Profit from ordinary activities before income tax expense		**8,969**	**(142)**
Company income tax expense		(3,277)	–
Net profit attributable to members of Abacus Group Holdings Limited		**5,692**	**(142)**
Increase in asset revaluation reserve		2,259	1,201
Total revenues, expenses, and valuation adjustments attributable to members and recognised directly in equity		**2,259**	**1,201**
Total changes in equity other than those resulting from transactions with members as owners		**7,951**	**1,059**
Basic and diluted earnings per share (cents)		2.34	–

Statement of Financial Position
Year ended 30 June 2003

	Notes	CONSOLIDATED 30 June 2003 $'000	30 June 2002 $'000
Current assets			
Cash assets		5,646	53
Receivables		11,717	142
Investment properties	4	37,013	–
Other financial assets		7,850	–
Other		202	338
Total current assets		**62,428**	**533**
Non-current assets			
Property, plant and equipment		177	–
Investment properties	4	13,893	54,438
Investments accounted for using the equity method		4,504	1,501
Other financial assets		27,925	–
Deferred tax assets		172	–
Intangible assets		34,169	–
Other		18	12
Total non-current assets		**80,858**	**55,951**
Total assets		**143,286**	**56,484**
Current liabilities			
Payables		2,664	413
Current tax liabilities		3,223	–
Interest bearing liabilities		16,975	–
Provisions		215	
Other		–	2,833
Total current liabilities		**23,077**	**3,246**
Non–current liabilities			
Interest bearing liabilities		102,755	29,196
Provisions		328	–
Other		–	20,475
Total non–current liabilities		**103,083**	**49,671**
Total liabilities		**126,160**	**52,917**
Net assets		**17,126**	**3,567**
Equity			
Contributed equity		6,662	2,527
Asset revaluation reserve		3,460	1,201
Retained earnings/(accumulated losses)	5	7,004	(161)
Total equity		**17,126**	**3,567**

Statement of Cash Flows

Year ended 30 June 2003

	Notes	CONSOLIDATED 30 June 2003 $'000	30 June 2002 $'000
Cash flows from operating activities			
Income receipts		24,131	398
Bank interest received		206	2
GST received		1,023	–
Income tax expense paid		(953)	–
Management fee paid		–	(26)
Borrowing costs		(1,521)	(416)
Merger and listing costs		(628)	–
Operating payments		(6,343)	(31)
Net cash flows from/(used in) operating activities		**15,915**	**(73)**
Cash flows from investing activities			
Payments for investments		(38,248)	(1,587)
Proceeds from sale of investments		823	–
Purchase of controlled entities	6	(4,825)	(58,200)
Purchase of plant and equipment		(9,454)	–
Purchase of investment properties		(5,147)	(2,287)
Disposal of investment properties		16,470	–
Net cash flows used in investing activities		**(40,381)**	**(62,074)**
Cash flows from financing activities			
Proceeds from issue of shares		4,134	559
Payment of establishment fees		(218)	–
Repayment of borrowings		(6,080)	
Proceeds from borrowings		32,223	61,608
Net cash flows from financing activities		**30,059**	**62,167**
Net increase in cash held		**5,593**	**20**
Add opening cash brought forward		53	33
Closing cash carried forward		**5,646**	**53**

Notes to the Concise Financial Statements

Year ended 30 June 2003

1. Basis of Preparation of the Financial Report

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

The financial report should be read in conjunction with the Annual Financial Report of Ashmall Development Limited (now Abacus Group Holdings Limited) as at 30 June 2002. It is also recommended that the financial report be considered together with any public announcements made by the Abacus Property Group during the year ended 30 June 2003 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of accounting

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The financial report has been prepared in accordance with the historical cost convention except for investment properties which are carried at fair value.

Changes in accounting policies

Accounting policies are consistent with those of the prior year unless otherwise stated.

The Company has applied the new Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time for the year ended 30 June 2003. The new Standard requires that a provision for dividends will only be recognised at the reporting date where the dividends have been declared, determined or publicly recommended prior to the reporting date.

There has been no effect of the revised policy on the current or previous year financial statements.

Principles of consolidation

The consolidated financial statements include the financial statements of Abacus Group Holdings Limited and its controlled entities, referred to collectively throughout these financial statements as the "consolidated entity" or "Company".

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is a loss of control of a subsidiary, the combined financial statements include the results for that part of the reporting period during which the parent company has control. Subsidiary acquisitions are accounted for using the purchase method of accounting.

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

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Abacus Funds Management Limited and its subsidiary, Abacus Property Services Pty Limited, were acquired by Abacus Group Holdings Limited on 25 October 2002 with effect from 1 October 2002. The Companies' operating results have been consolidated in the Statement of Financial Performance of Abacus Group Holdings Limited from 1 October 2002.

Notes to the Concise Financial Statements continued

Year ended 30 June 2003

2. Revenue from Ordinary Activities

	CONSOLIDATED	
	30 June 2003 $'000	30 June 2002 $'000
Revenues from operating activities		
Revenue from rental receipts	4,864	472
Interest income from investments	1,473	–
Fee income from investments	150	–
Revenue from sale of investment properties	38,043	–
Property management fees	128	–
Fund management fees	734	–
Fees and other income	3,719	–
Total revenues from operating activities	49,111	472
Revenues from non-operating activities		
Bank interest	206	2
Total revenues from non-operating activities	206	2
Total revenues from ordinary activities	**49,317**	**474**
Share of net profits of joint ventures accounted for using the equity method		
Share of joint venture profits	781	1

3. Expenses

	CONSOLIDATED	
	30 June 2003 $'000	30 June 2002 $'000
Depreciation of non-current assets		
Plant and equipment	41	–
Total depreciation of non-current assets	41	–
Amortisation of non-current assets		
Finance costs	8	21
Goodwill	1,331	–
Software	17	–
Total amortisation of non-current assets	1,356	21
Total depreciation and amortisation expenses	1,397	21
Borrowing costs expensed		
Interest expense	10,963	463
Other borrowing costs	14	–
Total borrowing costs	10,977	463
Less borrowing costs capitalised	(14)	–
Total borrowing costs expensed	10,963	–
Bad and doubtful debts	4	–
Other expenses		
Property outgoings	1,549	94
Expenses on sales of investment properties	540	–
Management fees	47	27
Audit fees	29	4
Custody fees	20	–
Merger expenses	393	–
ASX fees	236	–
Other	1,109	8
Other expenses from ordinary activities	3,923	133

Notes to the Concise Financial Statements continued

Year ended 30 June 2003

4. Investment Properties

Property	Acquisition date	Cost including all additions $'000	Independent valuation date	Independent valuation $'000	Aggregated value (a) Jun-03 $'000	Aggregated value (a) Jun-02 $'000
Current:						
109 Pitt Street, Sydney, NSW (b)	22/6/99	31,055			37,013	–
Non-current:						
244 Liverpool Road, Ashfield, NSW (i)	26/3/98	2,507			2,507	2,507
252 Liverpool Road, Ashfield, NSW (i)	2/3/00	1,107			1,107	1,107
254 Liverpool Road, Ashfield, NSW (i)	31/8/01	2,662			2,662	2,662
256 Liverpool Road, Ashfield, NSW (i)	29/9/98	820			820	820
Project development costs		449			449	332
Property revaluation						
– 244/256 Liverpool Rd					1,201	1,201
Properties owned by parent entity, AGHL		7,545	1/01/01	8,600	8,746	8,629
109 Pitt Street, Sydney, NSW (see Current)	22/6/99				–	45,809
4-8 Jacobs Street, Bankstown (ii)	2/12/02	5,147	26/09/02	4,765	5,147	–
Properties owned by AGHL and its subsidiaries – non-current				13,893	54,438	
Total investment properties					**50,906**	**54,438**

(i) As valued by Landmark White

(ii) As valued by Colliers International Consultancy and Valuation Pty Ltd

Notes:

(a) The consolidated value at 30 June 2003 includes capital expenditures after the last valuation date.

(b) The property at 109 Pitt Street is currently under refurbishment and has been subdivided into strata units. The retail component and the leasehold interest in the car park were sold during the year while sales of the commercial units are in progress.

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

Reconciliations

Reconciliation of the carrying amounts of investment properties at the beginning and end of the current and previous financial year:

	Jun-03 $'000	Jun-02 $'000
Carrying amount at beginning	54,438	4,434
Additions	16,147	48,803
Net revaluation increments	2,259	1,201
Disposals	(21,938)	–
Value at year end	**50,906**	**54,438**

5. Additional Information

Reconciliation of retained earnings/(accumulated losses)

	CONSOLIDATED 30 June 2003 $'000	CONSOLIDATED 30 June 2002 $'000
Balance at the beginning of year	(162)	(19)
Net profit attributable to members of AGHL	5,692	(143)
Capital profits	1,474	–
Balance at end of year	**7,004**	**(162)**

6. Change in Composition of Entity

Acquisition of Controlled Entities

Abacus Group Holdings Limited acquired 100% of the voting capital of the following controlled entities. The components of the acquisition cost were:

Entity	Notes	Date Acquired	Consideration given	$'000
Abacus Funds Management Limited				
and its subsidiary Abacus Property			30,000,000 securities	31,500
Services Pty Limited	(a)	1-Oct-02	$7,000,000 cash	7,000
Total consideration				**38,500**

Net assets of the controlled entities at 1 October 2002:

Cash	2,175
Receivables	2,971
Other financial assets	196
Other investments	823
Property, plant and equipment	190
Goodwill purchased	35,500
Payables	(2,683)
Other liabilities/provisions	(672)
Total net assets	**38,500**
Net cash effect	
Cash consideration paid	(7,000)
Cash included in net assets acquired	2,175
Cash paid for purchase of controlled entities as reflected in the consolidated financial report	**(4,825)**

(a) The companies were acquired by Abacus Group Holdings Limited from FSP Group Pty Limited, a related party, at a total cost of $38.5 million. $7 million was paid in cash and the balance of $31.5 million was settled by the issue of 30 million stapled securities in the Abacus Property Group.

Notes to the Concise Financial Statements continued

Year ended 30 June 2003

7. Segment Information

Business Segments

	Property Rental & Sales		Financing		Funds Management		Consolidated	
	June 2003 $'000	June 2002 $'000	June 2003 $'000	June 2002 $'000	June 2003 $'000	June 2002 $'000	June 2003 $'000	June 2002 $'000
Segment revenue:								
Revenues from customers outside the consolidated entity	42,907	472	2,404	–	4,581	–	49,892	472
Interest revenue							206	2
Total revenue	42,907	472	2,404	–	4,581	–	50,098	474
Segment results:								
Segment results	16,673	(144)	2,312	–	741	–	19,726	(144)
Interest income							206	2
Income tax							(3,277)	–
Borrowing costs							(10,963)	
Total results	16,673	(144)	2,312	–	741	–	5,692	(142)
Segment assets:								
Segment assets	59,709	56,484	40,721	–	42,684	–	143,114	56,484
Unallocated assets							172	–
Total assets	59,709	56,484	40,721	–	42,684	–	143,286	56,484
Segment liabilities	90,643	52,917	30,569	–	1,724	–	122,936	52,917
Unallocated liabilities							3,224	–
Total liabilities	90,643	52,917	30,569	–	1,724	–	126,160	52,917
Other segment information:								
Acquisition of controlled entities	–	2,662	–	–	38,500	–	38,500	2,662
Depreciation and amortisation	8	21	–	–	1,389	–	1,397	21
Non-cash expenses other than depreciation and amortisation	4	–	–	–	–	–	4	–

8. Commitments and contingencies

The Company has remaining unpaid contributions to the joint venture projects entered into during the year to an aggregate amount of $1,660,000 and expenditure commitments of $7,069,000 to complete the refurbishment of the property at 109 Pitt Street, Sydney.

9. Subsequent events

Since 30 June 2003 there has not been any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Company.

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 concise financial report of the consolidated entity for the year ended 30 June 2003 is accordance with Accounting Standard AASB 1039 "Concise Financial Reports"; and

(b) the financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2003.

On behalf of the board:

David J Bastian
Managing Director

John Thame
Chairman

Sydney, 12 September 2003

Independent Audit Report

ERNST & YOUNG

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321 Kent Street
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Sydney NSW 2001

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Independent audit report to members of Abacus Group Holdings Limited

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity for the year ended 30 June 2003. The consolidated entity comprises both Abacus Group Holdings Limited (the company) and the entities it controlled during the year.

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

Audit approach

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

We performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports". We formed our audit opinion on the basis of these procedures, which included:

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

We have also performed an independent audit of the full financial report of the company for the year ended 30 June 2003. Our audit report on the full financial report was signed on 15 September 2003, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the full and concise financial reports, we were engaged to undertake the services disclosed in the notes to the financial statements of the full financial report. The provision of these services has not impaired our independence.

Audit opinion

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

Ernst & Young

Ernst & Young

Mark O'Sullivan
Partner
Sydney
15 September 2003

Concise Financial Report of the Abacus Trust

Consisting of the financial report of the Abacus Trust (ABN 27 921 263 285) and its controlled entities.

For the year ended 30 June 2003

This concise report has been derived from the full financial report for the year ended 30 June 2003.

A copy of the full financial report, including the auditor's report on the full financial report, is available and will be sent to any member without charge, on request, by telephoning (02) 9253 8600. Alternatively, the full financial report may be accessed by visiting the Abacus website at www.abacusproperty.com.au.

The concise report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Abacus Trust and its controlled entities as the full financial report.

Directors' Report

The directors of Abacus Funds Management Limited, responsible entity of the Abacus Trust, submit their report for the Trust for the year ended 30 June 2003.

Directors

The directors of Abacus Funds Management Limited, the responsible entity of the Abacus Trust, at any time during the financial year and until the date of this report are:

John Thame	Chairman, appointed 11 September 2002
Frank Wolf	Deputy Chairman
David Bastian	Managing Director
Dennis Bluth	
Phillip Green	
Malcolm Irving	Appointed 12 September 2002

Principal Activities

The principal activities of the Trust during the course of the financial year were:

- investment in commercial, retail and industrial properties; and
- mortgage lending

Operating Profit

The Trust earned a profit of $28.12 million for the year ended 30 June 2003. The full year distribution 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. The Trust now has retained earnings of $2.78 million.

Earnings per Unit

	Year Ended 30 June 2003 cents	Year Ended 30 June 2002 cents
Basic earnings per unit	11.56	9.75
Earnings per unit including realised capital profits transferred from asset revaluation reserve	11.79	9.75

Distributions

Distributions were paid to unitholders as follows:

	cents	$'000
Interim distribution paid 8 November 2002	2.625	5,084
Interim distribution paid 17 December 2002	1.295	3,023
Interim distribution paid 13 February 2003	1.330	3,596
Interim distribution paid 9 May 2003	2.625	7,098
Final distribution paid 12 August 2003	2.625	7,099
Total	**10.500**	**25,900**

Review of Operations

Overview

The Abacus Trust is stapled to Abacus Group Holdings Limited to form the Abacus Property Group. The Group operates wholly within Australia and is an investor in commercial, industrial and retail properties and other property-related securities.

The Abacus Trust holds an investment portfolio of commercial, industrial and retail properties and operates a mortgage lending business.

Operating Results for the Period

A summary of combined revenue and profits is as follows:

	Year Ended 30 June 2003	
	Revenue $'000	Profit $'000
Business segments		
Property rental and sales	85,994	22,514
Financing	15,402	14,214
	101,396	36,728
Combined entity adjustments	745	(8,613)
Combined entity operating revenue and profit	**102,141**	**28,115**

Directors' Report continued

The Abacus Trust sold the following investment properties during the year:

- CUB Office, Brisbane was sold in November 2002 for $14.25 million;
- 60 Albert Road, Melbourne was sold in March 2003 for $32.32 million; and
- 101 Pirie Street, Adelaide was sold in April 2003 for $14.25 million.

The Abacus Mortgage Fund increased the size of its mortgage book from $30 million at 30 June 2002 to $34 million at 30 June 2003. Interest income increased from $2.02 million to $5.45 million for the year ended 30 June 2003.

Review of Financial Condition

Capital structure

During the year, approximately 105.5 million units were issued by the Trust:

- 8.3 million units were issued in part consideration of the purchase of 101 Pirie Street, Adelaide during August 2002;
- 28.4 million units were issued through a prospectus dated 10 December 2001 which closed during September 2002 prior to the listing of the Group on 14 November 2002
- 0.3 million units were issued pursuant to the Distribution Reinvestment Plan, which was suspended prior to listing the Group;
- 31.5 million units were issued during October 2002 in part consideration of the purchase of Abacus Funds Management Limited; and
- 37.0 million units were issued through a prospectus dated 15 October 2002 immediately prior to the listing of the Group.

The gearing ratio, calculated as a percentage of total interest bearing liabilities over total assets of the Trust, was reduced to 23.85% at 30 June 2003 compared to 45.05% at 30 June 2002. During the year, loans amounting to $50.23 million were repaid.

The Trust manages interest rate exposure on debt facilities through the use of interest rate swap contracts. At year end, 88% of interest commitments were hedged.

Significant Changes in the State of Affairs

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

- Contributed equity increased from $158.31 million to $259.67 million;
- A revaluation of properties during the year resulted in a net increase (after adjustment for sales) of $7.06 million; and
- Retained earnings increased to $2.78 million (2002: nil).

Significant Events after Balance Date

Contracts have been exchanged for the sale of Central Brunswick, Fortitude Valley, Queensland for $20.25 million with settlement contracted to occur on 1 December 2003.

No other significant events have occurred since balance date which may affect either the Trust's operations or results of those operations or its state of affairs, that have not been disclosed already in this report.

Likely Developments and Expected Results

The directors have excluded from this report any other information on the likely developments in the operations of the Trust and the expected results of those operations in future financial years, as the directors believe that it would be likely to result in unreasonable prejudice to the operation of the Trust.

Environmental Regulation and Performance

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

Information on directors

The directors of Abacus Funds Management Limited, responsible entity of the Abacus Trust at any time during the financial year and until the date of this report are as set out below:

John Thame AIBF, FCPA	Chairman (non-executive) - appointed 11 September 2002
Frank Wolf PhD, BA Hons	Deputy Chairman (executive)
David Bastian CPA	Managing Director
Phillip Green LLB, BCom	Non-executive director
Malcolm Irving AM FIPA, FIDA, FSIA BCom, Hon DLitt	Non-executive director – appointed 12 September 2002
Dennis Bluth LLM, LLB, BA	Non-executive director

Directors were in office from the beginning of the financial year until the date of this report unless otherwise stated.

Rounding

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

Signed in accordance with a resolution of the directors.

Abacus Funds Management Limited
(ABN 66 007 415 590)

David J Bastian
Managing Director

John Thame
Chairman

Sydney, 12 September 2003

Discussion and Analysis of the Consolidated Financial Statements

Statement of Financial Performance and Distribution

Net profit for the year increased by 98.3% from $14,181,000 to $28,115,000, with basic earnings per unit increasing 18.6%, from 9.75 cents per unit to 11.56 cents per unit. The distribution paid to investors increased by 7.7%, from 9.75 cents per unit to 10.50 cents per unit, with total distributions paid up from $14,181,000 to $25,900,000 in the year under review. The undistributed profit of $2,215,000 was retained in the Trust for future appropriations.

Property rental income decreased slightly, down 8.4% from $27,481,000 to $25,174,000, as a result of the divestment of the following properties: CUB Office, Fortitude Valley, Queensland sold for $14,250,000, 60 Albert Road, South Melbourne sold for $32,320,000 and 101 Pirie Street, Adelaide sold for $14,250,000. Net profit on sales contributed $1,960,000 to the net profit for the year.

Interest and fee income from investment in mortgage loans increased from $3,371,000 to $15,402,000 in the current year, an increase of 357%. This includes interest earned on loans to Abacus Group Holdings Limited amounting to $9,583,000.

Expenses relating to the operation and maintenance of the investment properties decreased by 21.15% from $3,958,000 to $3,121,000. Borrowing costs were reduced by 11.2% from $10,535,000 to $9,357,000.

Statement of Financial Position

Total assets increased from $307,747,000 to $370,566,000, an increase of 20.4%.

The increase in assets is a direct result of additional units issued during the year valued at $101,359,000 (net of transaction costs) of which $55,401,000 was used to retire bank loans including the loan of $5,176,000 assumed on acquisition of the Pirie Street property. Units worth $38,128,000 were used to acquire controlled entities.

Investments in loans increased from $52,625,000 to $121,048,000. This includes loans to Abacus Group Holdings Limited and its subsidiary, Abacus Finance Pty Limited, which amounted to $61,239,000 and $28,833,000 respectively at 30 June 2003. The loans were written to fund the expanded activities of the Abacus Group Holdings Limited group.

Revaluation increments on investment properties amounted to $7,624,000. Capital profits of $566,000 were realised on the sale of the three properties mentioned above and transferred to retained earnings, leaving a balance of $11,002,000 in the asset revaluation reserve.

Statement of Cash Flow

Net cash flows from operating activities increased by 52.9% from $10,315,000 to $15,769,000 due to an increase in operating income of $3,893,000 and a reduction in operating expenses of $1,561,000.

Cash proceeds from the sale of investment properties amounting to $60,820,000 and from repayment of loans by borrowers amounting to $21,897,000 were partly used to invest in new mortgage loans of $59,319,0000, and the purchase of items of plant and equipment for $1,898,000.

Cash assets held at 30 June 2003 of over $23,520,000 will be used to finance the future acquisition of property and investment assets.

Statement of Financial Performance and Distribution

Year ended 30 June 2003

		CONSOLIDATED	
	Notes	30 June 2003 $'000	30 June 2002 $'000
Statement of Financial Performance			
Revenues from ordinary activities	2	102,141	89,566
Depreciation and amortisation expenses	3	(263)	–
Carrying amount of investment properties disposed		(57,950)	(58,199)
Borrowing costs expense	3	(9,357)	(10,535)
Bad and doubtful debts – trade debtors	3	(267)	(962)
Other expenses from ordinary activities	3	(6,189)	(5,689)
Profit from ordinary activities before and after income tax expense		**28,115**	**14,181**
Increase in asset revaluation reserve		7,058	3,944
Total revenues, expenses, and valuation adjustments attributable to unitholders and recognised directly in equity		**7,058**	**3,944**
Total changes in equity other than those resulting from transactions with unitholders as owners of Abacus Trust		**35,173**	**18,125**
Basic and diluted earnings per unit (cents)		11.56	9.75
Statement of Distribution			
Net operating profit from ordinary activities		28,115	14,181
Net transfer of non-distributable income (to)/from unitholders' funds		(2,215)	–
Distribution paid and payable		25,900	14,181
Distribution per unit (cents per unit)		**10.50**	**9.75**

Statement of Financial Position

Year ended 30 June 2003

		CONSOLIDATED	
	Notes	30 June 2003 $'000	30 June 2002 $'000
Current assets			
Cash assets		23,520	2,663
Receivables		15,676	6,243
Other financial assets		23,287	17,248
Other		834	1,050
Total current assets		**63,317**	**27,204**
Non-current assets			
Investment properties	4	210,988	246,416
Other financial assets		96,261	34,127
Total non-current assets		**307,249**	**280,543**
Total assets		**370,566**	**307,747**
Current liabilities			
Payables		1,612	2,722
Interest-bearing liabilities		24,000	49,625
Provisions		7,099	4,143
Total current liabilities		**32,711**	**56,490**
Non-current liabilities			
Interest-bearing liabilities		64,400	89,000
Total non-current liabilities		**64,400**	**89,000**
Total liabilities		**97,111**	**145,490**
Net assets		**273,455**	**162,257**
Equity			
Contributed equity		259,672	158,313
Asset revaluation reserve		11,002	3,944
Retained earnings	5	2,781	–
Total equity		**273,455**	**162,257**

Statement of Cash Flows

Year ended 30 June 2003

	Notes	CONSOLIDATED 30 June 2003 $'000	30 June 2002 $'000
Cash flows from operating activities			
Income receipts		25,682	22,522
Bank interest received		745	515
GST received/(paid)		503	(761)
Audit fees		(39)	(26)
Responsible entity's fee paid		(1,230)	(975)
Custodian's fee paid		(63)	(31)
Borrowing costs		(9,053)	(10,333)
Operating payments		(776)	(596)
Net cash flows from operating activities		**15,769**	**10,315**
Cash flows from investing activities			
Payments for investments		(59,319)	(33,727)
Proceeds from settlement of investments		21,897	–
Purchase of controlled entities		517	58,199
Purchase of investment properties		(1,898)	–
Disposal of investment properties		60,820	(43,756)
Net cash flows from/(used in) investing activities		**22,017**	**(19,284)**
Cash flows from financing activities			
Proceeds from issue of units		64,837	25,915
Payment of establishment fees		(3,580)	(2,742)
Repayments of borrowings		(55,401)	(37,724)
Proceeds from borrowings		–	31,085
Distributions paid		(22,785)	(13,297)
Net cash flows from/(used in) financing activities		**(16,929)**	**3,237**
Net increase/(decrease) in cash held		**20,857**	**(5,732)**
Add opening cash brought forward		2,663	8,395
Closing cash carried forward		**23,520**	**2,663**

Notes to the Concise Financial Statements

Year ended 30 June 2003

1. Basis of Preparation of the Financial Report

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

The financial report should be read in conjunction with the Annual Financial Report of the Abacus Property Income Trust (now the Abacus Trust) for the year ended 30 June 2002. It is also recommended that the financial report be considered together with any public announcements made by the Abacus Property Group during the year ended 30 June 2003 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of accounting

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The financial report has been prepared in accordance with the historical cost convention except for investment properties which are carried at fair value.

Changes in accounting policies

Accounting policies are consistent with those of the prior year unless otherwise stated.

The Trust has applied the new Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time for the year ended 30 June 2003.

The new Standard requires that a provision for distribution will only be recognised at the reporting date where the distribution has been declared, determined or publicly recommended prior to the reporting date.

There has been no effect of the revised policy on the current or previous year financial statements.

Principles of consolidation

The consolidated financial statements include the financial statements of Abacus Trust and its controlled entities, referred to collectively throughout these financial statements as the "consolidated entity", or "the Trust".

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for that part of the reporting period during which the parent company has control. Subsidiary acquisitions are accounted for using the purchase method of accounting.

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

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

The operating results of Abacus Pirie Street Property Trust and Abacus Pirie Street Trust have been consolidated in the Statement of Financial Performance of Abacus Trust from 1 July 2002.

2. Revenue from Ordinary Activities

	CONSOLIDATED	
	30 June 2003 $'000	30 June 2002 $'000
Revenues from operating activities		
Property rental income	25,174	27,481
Interest income from investments	15,094	3,371
Fee income from investments	308	–
Revenue from sale of investment properties	60,820	58,199
Total revenues from operating activities	101,396	89,051
Revenues from non-operating activities		
Bank interest	745	515
Total revenues from non-operating activities	745	515
Total revenues from ordinary activities	**102,141**	**89,566**

3. Expenses

Amortisation of non-current assets		
Goodwill	263	–
Total amortisation of non-current assets	263	–
Borrowing costs expensed		
Interest expense	9,357	10,535
Total borrowing costs expensed	9,357	10,535
Bad and doubtful debts	267	962
Other expenses		
Property expenses	3,121	3,958
Expenses on sales of investment properties	911	–
Performance fee	3	388
Auditor's remuneration	44	30
Responsible entity's remuneration	1,231	949
Custody fees	58	40
Distribution costs	(3)	76
Other	824	248
Other expenses from ordinary activities	6,189	5,689

Notes to the Concise Financial Statements continued
Year ended 30 June 2003

4. Investment Properties

Property	Acquisition date	Cost including all additions $'000	Independent valuation date	Independent valuation $'000	Aggregated value (a) Jun-03 $'000	Aggregated value (a) Jun-02 $'000
10 Market Street, Brisbane, QLD (i)	22-Apr-02	20,058	31-Jan-02	18,700	20,059	19,651
66 Christina Road, Villawood, NSW (ii)	28-May-02	8,028	1-Jan-02	7,500	8,028	7,998
CSIRO, Limestone Ave, Campbell, ACT (iii)	21-Jun-02	12,685	1-Jul-02	12,000	12,685	12,625
Properties owned by the parent entity, Abacus Trust					40,772	40,274
60 Albert Road, South Melbourne, VIC (i)	18-May-98	29,028	1-Sep-02	31,500	–	31,517
CUB, Bowen Tce, Fortitude Valley, QLD (i)	5-Feb-97	11,945	1-Sep-02	12,650	–	12,600
Central Brunswick, Fortitude Valley, QLD (iv)	27-Feb-98	25,126	1-Sep-02	20,000	20,000	24,137
4 Ray Road, Epping, NSW (i)	30-Apr-97	26,967	1-Sep-02	35,000	35,242	34,500
431 Glebe Point Road, Glebe, NSW (i)	23-Sep-97	10,497	1-Sep-02	11,000	11,074	11,308
Ashfield Mall, Ashfield, NSW (v)	15-Sep-97	69,662	30-Jun-03	89,000	89,000	77,580
10-12 Pike Street, Rydalmere, NSW (i)	1-Oct-98	14,262	1-Sep-02	14,900	14,900	14,500
Properties owned by Abacus Trust and its controlled entities					**210,988**	**246,416**

(i) As valued by Landmark White
(ii) As valued by Knight Frank
(iii) As valued by CB Richard Ellis
(iv) At directors' valuation
(v) As valued by FPD Savills (NSW)

Notes:

(a) The consolidated value at 30 June 2003 includes capital expenditures after the last valuation date.
(b) The investment properties are used as security over the bank loans (see Notes 11 and 13).

Reconciliations

Reconciliation of the carrying amounts of investment properties at the beginning and at the end of the current and previous financial year:

	Jun-03 $'000	Jun-02 $'000
Carrying amount at beginning	246,416	244,525
Additions	15,464	43,756
Net revaluation increments	7,058	3,944
Disposals	(57,950)	(45,809)
Value at year end	**210,988**	**246,416**

5. Additional Information

Reconciliation of retained earnings

	CONSOLIDATED	
	30 June 2003 $'000	30 June 2002 $'000
Balance at the beginning of year	–	–
Net profit attributable to unitholders	28,115	14,181
Capital profits	566	–
Total available for appropriation	28,681	14,181
Distributions provided for or paid	(25,900)	(14,181)
Balance at end of year	**2,781**	**–**

6. Changes in Composition of Equity

Acquisition of Controlled Entities

Abacus Trust acquired 100% ownership of the following controlled entities.
The components of the acquisition cost were:

Entity	Date Acquired	Consideration given	2003 $'000
Abacus Pirie Street Property Trust and Abacus Pirie Street Trust (a)	1-Jul-02	8,263,933 units	8,310
Total consideration			**8,310**

Net assets of the controlled entities at 1 July 2002:

Cash	517
Other financial assets	14
Investment properties	13,000
Goodwill purchased	264
Payables	(178)
Interest bearing liabilities (secured)	(5,176)
Other liabilities/provisions	(131)
Total net assets	**8,310**
Net cash effect	
Cash consideration paid	–
Cash included in net assets acquired	517
Cash paid for purchase of controlled entities as reflected in the consolidated financial report	**517**

(a) The Abacus Pirie Street Property Trust and Abacus Pirie Street Trust were acquired by the Abacus Trust through the issue of stapled securities in the Abacus Property Group.

Notes to the Concise Financial Statements continued
Year ended 30 June 2003

7. Segment Information

Business Segments

	Property Rental & Sales		Financing		Total	
	Jun-03 $'000	Jun-02 $'000	Jun-03 $'000	Jun-02 $'000	Jun-03 $'000	Jun-02 $'000
Segment revenue:						
Revenues from customers outside the consolidated entity	85,994	28,619	15,402	2,233	101,396	30,852
Interest revenue					745	515
Total revenue	85,994	28,619	15,402	2,233	102,141	31,367
Segment results:						
Segment result	22,513	22,067	14,214	2,134	36,727	24,201
Interest income					745	515
Borrowing costs					(9,357)	(10,535)
Total results	22,513	22,067	14,214	2,134	28,115	14,181
Segment assets:						
Segment assets	238,449	278,938	132,117	28,810	370,566	307,748
Total assets	238,449	278,938	132,117	28,810	370,566	307,748
Segment liabilities:						
Segment liabilities	74,800	133,931	15,212	11,560	90,012	145,491
Unallocated liabilities					7,099	–
Total liabilities	74,800	133,931	15,212	11,560	97,111	145,491
Other segment information:						
Acquisition of controlled entities	8,310	43,756	–	–	8,310	43,756
Depreciation and amortisation	263	–	–	–	263	–
Non-cash expenses other than depreciation and amortisation	267	212	–	750	267	962

8. Commitments and Contingencies

The consolidated entity has no commitments or contingencies as at 30 June 2003.

9. Subsequent Events

Contracts have been exchanged for the sale of Central Brunswick, Fortitude Valley, Queensland for $20.25 million with settlement contracted to occur on 1 December 2003.

Since 30 June 2003, there has not been any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the consolidated entity.

Director's Declaration

In accordance with a resolution of the directors of Abacus Funds Management Limited, responsible entity of the Abacus Trust, we state that in the opinion of the directors:

(c) the concise financial report of the consolidated entity for the year ended 30 June 2003 is in accordance with Accounting Standard AASB 1039 "Concise Financial Reports"; and

(d) the financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2003.

On behalf of the board:

David J Bastian
Managing Director

John Thame
Chairman

Sydney, 12 September 2003

Independent Audit Report

ERNST & YOUNG

The Ernst & Young Building
321 Kent Street
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Australia

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Sydney NSW 2001

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Exchange 10172

Independent audit report to unitholders of Abacus Trust

Scope

The concise financial report and directors' responsibility
The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity for the year ended 30 June 2003. The consolidated entity comprises both Abacus Trust (the registered scheme) and the entities it controlled during the year.

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

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

We performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports". We formed our audit opinion on the basis of these procedures, which included:

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

We have also performed an independent audit of the full financial report of the registered scheme for the year ended 30 June 2003. Our audit report on the full financial report was signed on 15 September 2003, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

Independence

We are independent of the registered scheme, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the full and concise financial reports, we were engaged to undertake the services disclosed in the notes to the financial statements of the full financial report. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the concise financial report of Abacus Trust complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Ernst & Young

Ernst & Young

Mark O'Sullivan
Partner
Sydney
15 September 2003

Corporate Governance

Abacus Property Group is made up of the Abacus Trust and Abacus Group Holdings Limited. The responsible entity of the Abacus Trust is Abacus Funds Management Limited, which is a subsidiary of Abacus Group Holdings Limited. Corporate Governance of the Group is the responsibility of the boards of Abacus Group Holdings Limited and Abacus Funds Management Limited.

Principle 1: Solid foundations for management and oversight

The board has adopted a formal charter detailing its functions and responsibilities. Primary responsibilities are the provision of strategic guidance for the Group and the effective oversight of management.

Particular functions include:

- Review and approve financial and other reporting
- Ensure the integrity and effectiveness of the compliance program and risk management controls
- Approve major investments following due diligence process
- Approve Offer Documents following due diligence process
- Overview personnel management, including appointment of senior officers, remuneration reviews and creation of new positions

Principle 2: Board structure

John Thame (chairman)	non-executive director (independent)
Dennis Bluth	non-executive director
Phil Green	non-executive director
Malcolm Irving	non-executive director (independent)
Frank Wolf	executive director (deputy chairman)
David Bastian	executive director (managing director)
Len Lloyd	executive director (Abacus Group Holdings Limited only)

Independent directors, Mr John Thame and Mr Malcolm Irving, were appointed to the board in September 2002 prior to the listing of the Group in November 2002. Details of the experience of each director is set out earlier in this Annual Report.

The board has established a nomination and remuneration committee responsible to ensure the board maintains an appropriate size and composition to effectively discharge its responsibilities and duties. Membership of the committee is as follows:

John Thame
Malcolm Irving
Dennis Bluth

Principle 3: Ethical and responsible decision-making

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

New employees are made aware of the code of conduct as part of their initial compliance induction. All employees sign an annual declaration that they have complied with the code.

The board has adopted a policy limiting trading in Abacus Property Group securities by directors to the six-week period commencing two business days after half-year and full-year results are announced.

Principle 4: Integrity in financial reporting

To safeguard the integrity of its financial reporting, the Group has put in place a structure of review and authorisation of the presentation of the Group's financial position. This structure includes the review and consideration of the accounts by the audit committee.

The audit committee comprises 3 external directors, two of which are independent:

Malcolm Irving
John Thame
Dennis Bluth

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

Corporate Governance continued

Principle 5: Disclosure

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

Principle 6: Communication with security-holders

The Abacus Property Group maintains a website at www.abacusproperty.com.au which provides detailed information on the Group's operations. All announcements made to the market are posted to the website after they have been lodged with the ASX, including financial statements, notices of meetings and briefings to analysts or media, in order to promote the broad distribution of this information to investors.

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

Principle 7: Risk management

Abacus Property Group has in place a number of processes intended to identify and manage areas of significant business risk. These include:

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

Compliance

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

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

Phillip Leslie	External Member
James Beecher	External Member
David Bastian	

This committee met five times during the year.

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

Review of lending proposals

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

The credit committee includes an external, independent member:

Dennis Bluth	
Frank Wolf	
David Bastian	
David Brodie	External member

Due Diligence

Abacus has established a standing due diligence committee to manage the due diligence process of each transaction that involves the issue of a disclosure document. The due diligence committee comprises at least 3 members, currently:

Dennis Bluth
Frank Wolf
David Bastian

Additional members, such as other board members, representatives of external advisers or independent experts, are appointed for particular projects. During the year under review, John Thame was a member of the due diligence committee overseeing the listing of the Abacus Property Group.

The objectives of the due diligence committee are:

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

Principle 8: Board and management effectiveness

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

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

Principle 9: Remuneration

The aim of the Abacus Property Group's remuneration policy is to attract and retain talented and motivated directors and employees so as to encourage enhanced performance of the Group. The policy is overseen by the nomination and remuneration committee:

John Thame
Dennis Bluth
Malcolm Irving

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

Principle 10: Recognise the legitimate interests of stakeholders

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

ASX Additional Information

Abacus Property Group is made up of the Abacus Trust and Abacus Group Holdings Limited. The responsible entity of the Abacus Trust is Abacus Funds Management Limited. The following information is current as at 29 August 2003.

Number of holders of ordinary fully paid stapled securities	4,977
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	6
Secretary, Abacus Funds Management Limited Secretary, Abacus Group Holdings Limited	Robert Hill
Registered office Abacus Funds Management Limited Abacus Group Holdings Limited	Level 34, Australia Square 264-278 George Street Sydney NSW 2000 (02) 9253 8600
Registry	Computershare Investor Services Pty Ltd GPO Box 7045 Sydney NSW 1115 1300 855 050
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	

From the date of the Abacus Property Group's admission to the Australian Stock Exchange on 14 November 2002 until the end of the reporting period on 30 June 2003, the Group used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.

Substantial Security-holder Notifications

Security-holders	Number of Securities
Tower Trust Limited	37,671,440
National Australia Bank Limited Group	18,934,580
UBS Nominees Pty Ltd	13,583,995

Securities Register

Number of Securities	Number of Security-holders
1-1000	26
1001-5000	163
5001-10000	615
10001-100000	4,018
100001 – over	155

Top 20 Largest Security-holdings

	Security-holders	Number of Securities	% of issued Securities
1	Tower Trust Limited	35,513,401	13.17
2	ANZ Nominees Limited	19,097,536	7.07
3	RBC Global Services Australia Nominees Pty Ltd <Flexiplan A/C>	17,004,260	6.32
4	RBC Global Services Australia Nominees Pty Ltd <BKCUST A/C>	16,591,313	6.04
5	Queensland Investment Corporation c/- National Nominees Limited	10,215,539	3.59
6	Zurich Investment Management Limited <Zurich Property Sec A/C>	4,662,544	1.72
7	J P Morgan Nominees Australia Limited	4,126,054	1.52
8	Financial Services Partners Pty Limited	3,647,231	1.35
9	Craig Securities (No. 2) Pty Limited	3,300,000	1.22
10	Kendall Securities (No. 2) Pty Limited	3,300,000	1.22
11	Pluteus (No. 164) Pty Limited	2,726,646	1.01
12	F M Wolf Pty Limited	2,196,600	0.81
13	Castlecrag Investments (No. 2) Pty Limited	1,882,800	0.70
14	Citicorp Nominees Pty Limited	1,700,000	0.63
15	Westpac Custodian Nominees Limited	1,153,428	0.43
16	ANZ Nominees Limited	1,088,000	0.40
17	Samuel Robert Swil & Irene Swil	658,980	0.24
18	Invia Custodian Pty Limited <Postkeg Pty Limited A/C>	550,000	0.20
19	ANZ Managed Investments Ltd <ANZ Listed Prp Tst Pool A/C>	524,169	0.19
20	Invia Custodian Pty Limited <Aerial Taxi Cabs A/C>	476,764	0.18

Corporate Directory

Abacus Funds Management Limited
ABN 66 007 415 590
Abacus Group Holdings Limited
ABN 31 080 604 619

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

Directors
John Thame (Chairman) Non Executive
Frank Wolf (Deputy Chairman) Executive
David Bastian, Managing Director
Phillip Green, Non Executive
Dennis Bluth, Non Executive
Malcolm Irving, Non Executive
Len Lloyd, Executive

Company Secretary
Robert Hill

Registry
Computershare Investor Services Pty Ltd
GPO Box 7045
Sydney NSW 1115
Tel: 1300 855 050
Fax: 02 8234 5050

Auditor
Ernst & Young
321 Kent Street
Sydney NSW 2000

Compliance Plan Auditor

Deloitte Touche Tohmatsu
Level 9, Grosvenor Place
225 George Street
SYDNEY NSW 2000

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