



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

Abacus Group Holdings Limited
ABN 31 080 604 619

20 September 2004

Company Announcements Office
Australian Stock Exchange

**ABACUS PROPERTY GROUP (ABP)
2004 Financial Accounts
Distribution Announcement**

Attached are the full annual financial accounts for the Abacus Property Group for the year ended 30 June 2004.

We advise that the record date for determining entitlement to the Abacus Property Group distribution for the quarter ending 30 September 2004 will be 30 September 2004. The distribution rate will be 2.8 cents per stapled security. Abacus Property Group securities will be quoted ex-distribution from 24 September 2004. Payment of the distribution will be on or about 10 November 2004.

Yours faithfully,

A handwritten signature in black ink, appearing to read "David J Bastian".

David J Bastian
Managing Director

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

The Annual Financial Report of the Abacus Property Group consists 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.

This document contains the following four separate sections:

- Abacus Property Group combined financial statements
- Abacus Group Holdings Limited and its controlled entities' consolidated financial statements
- Abacus Trust and its controlled entities' consolidated financial statements
- Corporate Governance Report and Additional Information

It is recommended that this Annual Financial Report should be read in conjunction with the Annual Financial Reports of Abacus Group Holdings Limited and Abacus Trust as at 30 June 2004. It is also recommended that the report be considered together with any public pronouncements made by the Abacus Property Group in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

ANNUAL FINANCIAL REPORT

30 JUNE 2004

Directory

Responsible Entity:

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

Directors of Responsible Entity:

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

Directors of Abacus Group Holdings Limited:

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

Company Secretary:

Robert Hill

Custodian:

Perpetual Trustee Company Limited
Level 8
9 Castlereagh Street
SYDNEY NSW 2000

Share Registry:

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

Auditor:

Ernst & Young
321 Kent Street
SYDNEY NSW 2000

Compliance Plan Auditor:

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

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

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DIRECTORS' REPORT

30 JUNE 2004

The Directors present their report together with the combined financial report of the Abacus Property Group (the Group) for the year ended 30 June 2004 and the auditor's report thereon.

The combined financial report of the Abacus Property Group comprises the aggregated 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
Frank Wolf	Deputy Chairman (Executive)
David Bastian	Managing Director
Dennis Bluth	Non-executive Director
Phillip Green	Non-executive Director
Malcolm Irving	Non-executive Director
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 property syndication;
- property and project management;
- mortgage lending; and
- participation in property development activities

CORPORATE STRUCTURE

Abacus Group Holdings Limited is a company incorporated and domiciled in Australia. Abacus Trust is an Australian registered managed investment scheme. Abacus Funds Management Limited, the Responsible Entity of Abacus Trust, is incorporated and domiciled in Australia.

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

OPERATING PROFIT

The Group earned an after tax profit of \$34.7 million for the year ended 30 June 2004. The full year distribution of 11.23 cents per stapled security (including a one-off distribution of 0.2 cents) reflects a 6.9% increase on the 10.25 cents paid during the year ended 30 June 2003. This distribution was paid in full by the Abacus Trust. The Group has retained earnings of \$10 million.

DIRECTORS' REPORT

30 JUNE 2004

EARNINGS PER STAPLED SECURITY

	Year ended 30 June 2004	Year ended 30 June 2003
	cents	cents
Basic and diluted earnings per stapled security	12.84	13.90

DISTRIBUTIONS

Distributions were paid to stapled security-holders as follows:

	Cents	\$'000
Interim distribution paid 12 November 2003	2.63	7,099
Interim distribution paid 12 February 2004	2.80	7,571
Interim distribution paid 12 May 2004	2.80	7,572
Final distribution paid 11 August 2004	3.00	8,117
Total	11.23	30,359

REVIEW OF OPERATIONS

Group Overview

The Abacus Property Group is a listed entity consisting of the Abacus Trust and Abacus Group Holdings Limited and their subsidiaries. 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 mortgage loans. Abacus Group Holdings Limited, through its subsidiaries, is a property-based funds manager (with approximately \$675 million of assets under management) and participates in property management and joint venture activities.

Operating Results for the Period

A summary of combined revenue and profits is as follows:

	Year ended 30 June 2004	
	Revenue	Profit
	\$'000	\$'000
<i>Business segments</i>		
Property rental and sales	96,166	20,446
Other property-based investments	20,972	17,817
Funds and property management	5,036	4,007
	122,174	42,270
Combined entity adjustments	807	(7,545)
Combined entity revenue and operating profit	122,981	34,725

DIRECTORS' REPORT

30 JUNE 2004

REVIEW OF OPERATIONS continued

Operating Results for the Period continued

The Group earned an after tax profit of \$34.7 million in the year ended 30 June 2004. This is a 2.7% increase on the record profit achieved in the year ended 30 June 2003. The full year distribution of 11.23 cents per security represents an increase of 6.9% on the 10.5 cents per security paid in the previous year. This distribution was paid in full by the Abacus Trust.

During the year under review, the Abacus Trust sold the following investment properties:

- Central Brunswick Town Square and Convenience Centre on 28 November 2003 for \$20.3 million
- Navision House in Brisbane on 29 June 2004 for \$23.7 million

Funds released from the sale of the properties have been temporarily employed in the growth of the funds management business, mortgage lending and joint venture activities.

The Abacus Mortgage Fund increased the size of its mortgage book (including interest accrued) from \$34 million at 30 June 2003 to \$46.6 million at 30 June 2004. Interest income increased from \$5.5 million in the year ended 30 June 2003 to \$7.4 million for the year ended 30 June 2004. In addition, the Abacus Trust advanced funds to Abacus Group Holdings Limited to support the growth of its funds and property management activities, where assets under management have grown to approximately \$675 million as at 30 June 2004.

Abacus Group Holdings Limited has continued the sale of the commercial office strata in 109 Pitt Street Sydney in tandem with the progressive refurbishment of the building. During the year ended 30 June 2004, sales of \$27.7 million were achieved, while a further \$5.5 million was spent on refurbishment. Profit from joint venture activities during the year amounted to \$4.3 million.

During the year, Abacus Funds Management Limited in its role of Trustee/Manager, acquired seven additional properties for the Abacus Diversified Income Fund, increasing its assets from approximately \$60 million to approximately \$170 million.

Review of Financial Condition

Capital structure

No stapled securities were issued during the year under review.

The gearing ratio, calculated as a percentage of total interest bearing liabilities over total assets of the Group, was reduced to 24.3% at 30 June 2004 compared to 26.2% at 30 June 2003.

Existing loan facilities total approximately \$126 million, of which approximately \$101 million was drawn as at 30 June 2004. The Group manages interest rate exposure on debt facilities through the use of interest rate swap contracts. At year end, approximately \$93.8 million or 93% of interest commitments were hedged.

DIRECTORS' REPORT

30 JUNE 2004

SIGNIFICANT CHANGES

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

- Total equity increased by \$12.2 million, from \$290.6 million in the year ended 30 June 2003 to \$302.7 million in the year ended 30 June 2004.
- Revaluations of properties during the year resulted in a net increase (after adjustment for sales) of \$11.9 million.
- The Abacus Diversified Income Fund, launched in June 2003, increased its assets to approximately \$170 million compared to \$60 million in June 2003.
- Total assets under management increased to approximately \$675 million as at 30 June 2004.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Since balance date, the Group has settled the acquisition of the Liverpool Plaza Shopping Centre in Sydney's west for \$29.8 million on 16 August 2004 and has exchanged contracts to acquire a 50% interest in Santos House, a commercial office tower in Adelaide, for \$51 million.

The Group has also completed an institutional placement of 27 million securities at an issue price of \$1.18 per security, raising \$31.9 million. These securities, allotted on 9 August 2004, will ensure that the level of gearing following settlement of the Liverpool Plaza and Santos House acquisitions will leave the Group with the capacity to pursue further property acquisitions as opportunities arise.

There have been no other significant events 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 which are not of a material nature and would not in the Directors' view 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 industry standards. No breaches of requirements or additional environmental issues have been discovered nor brought to the board's attention.

DIRECTORS' REPORT

30 JUNE 2004

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.

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 qualifications, experience and special responsibilities.

John Thame AIBF, FCPA Chairman (non-executive)
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 Deputy Chairman of St George Bank Limited and a director of AWB Limited, Reckon Limited and Village Building Co Ltd.

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 Financial Services Partners Pty Limited, Vector Financial Services Limited and Kingston Capital Limited as well as of HGL Limited, a diversified publicly listed investment company. Dr Wolf has over 20 years experience in the property and financial services industry.

David Bastian CPA 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 and an Executive Director of Godfrey Pembroke Financial Services Pty Limited for 7 years. 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 Non-executive director
LLM, LLB, BA 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.

DIRECTORS' REPORT

30 JUNE 2004

INFORMATION ON DIRECTORS continued

Phillip Green LLB, BCom Non-executive director

Mr Phillip Green holds Bachelor of Commerce and Bachelor of Law degrees and qualified as 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 Non-executive director
 FCPA, FSIA, BCom, Chairman of Audit Committee
 Hon DLitt 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, 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, ADI Limited and Resimac Limited.

Len Lloyd FAPI, LREA Executive director (Abacus Group Holdings Limited)

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

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 and specified executives in the stapled securities of Abacus Property Group were as follows:

Directors:	
John Thame	35,000
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' REPORT

30 JUNE 2004

INFORMATION ON DIRECTORS continued

Specified executives:

John L'Estrange	Nil
Robert Hill	388,530
Peter Strain	10,000
Kim Kitchen	13,492
Claire Bibby	4,500

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 officers 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 of Directors 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:

DIRECTORS' REPORT

30 JUNE 2004

INFORMATION ON DIRECTORS continued

Directors' and Executives' Emoluments continued

Emoluments of directors:

	Base salary \$	Cash bonus \$	Superannuation \$	Total \$
J Thame (non-executive)	71,663	-	7,087	78,750
F Wolf (executive)	525,000	350,000	-	875,000
D Bastian (executive)	461,498	250,000	11,002	722,500
D Bluth (non-executive)	33,251	-	3,289	36,540
P Green (non-executive)	28,665	-	2,835	31,500
M Irving (non-executive)	31,500	-	-	31,500
L Lloyd (executive)	150,000	20,000	60,000	230,000

Emoluments of specified executives:

	Base salary \$	Cash bonus \$	Superannuation \$	Total \$
J L'Estrange	194,293	50,000	11,002	255,295
R Hill	193,748	-	11,002	204,750
P Strain	153,435	20,000	11,002	184,437
K Kitchen	146,498	25,000	11,002	182,500
C Bibby	146,498	15,000	11,002	172,500

Employees

The Abacus Property Group employed 41 employees (including directors) as at 30 June 2004 (2003: 41 employees). This includes 7 employees whose salary is fully recoverable from specific properties managed by the Group.

DIRECTORS' REPORT

30 JUNE 2004

INFORMATION ON DIRECTORS continued

Directors' Meetings

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

	Board	Audit Committee	Due Diligence Committee (1)	Nomination & Remuneration Committee	Credit Committee
Number of meetings held:	13	6	4	1	1
Number of meetings attended:					
J Thame	13	6	1	1	-
F Wolf	13	-	4	-	1
D Bastian	13	-	4	-	1
D Bluth	11	6	3	1	1
P Green	11	-	-	-	-
M Irving	11	6	2	1	-
L Lloyd (2)	13	-	-	-	-

Note:

1. Membership to the due diligence committee changes in relation to projects. The directors attended all meetings of the committee in which they have been appointed as members.
2. Mr Len Lloyd is a director of Abacus Group Holdings Limited only. Meetings of Abacus Group Holdings Limited and Abacus Funds Management Limited were held simultaneously.

REGISTER OF SECURITY HOLDERS

The register of security holders has, during the year ended 30 June 2004, been properly drawn up and maintained so as to give a true account of the security-holders of the fund.

ROUNDING

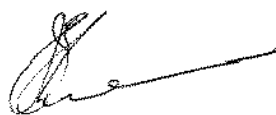
The amounts contained in this report and in the annual financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the group under ASIC Class Order 98/0100. The group is an entity to which the Class Order applies.

DIRECTORS' REPORT

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)



John Thame
Chairman



David Bastian
Managing Director

Sydney, 20 September 2004

COMBINED STATEMENTS OF FINANCIAL PERFORMANCE AND DISTRIBUTION

YEAR ENDED 30 JUNE 2004

	Notes	AGGREGATED	
		Jun-04 \$'000	Jun-03 \$'000
REVENUES FROM ORDINARY ACTIVITIES	2	118,690	140,745
Share of net profits of associates and joint ventures accounted for using the equity method	2	4,291	781
Depreciation and amortisation expenses	3	(2,014)	(1,660)
Carrying amount of investment properties disposed		(64,747)	(79,888)
Borrowing costs expense	3	(8,159)	(10,737)
Salaries and employee benefits expense		(4,721)	(3,207)
Bad and doubtful debts	3	(449)	(271)
Other expenses from ordinary activities	3	(7,973)	(8,678)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		34,918	37,085
Income tax expense relating to ordinary activities	4	(193)	(3,277)
NET PROFIT ATTRIBUTABLE TO STAPLED SECURITY HOLDERS OF THE GROUP		34,725	33,808
Decrease in retained earnings on sale of investment properties previously revalued at a decrement		(4,139)	-
Net increase in asset revaluation reserve		11,936	9,317
TOTAL REVENUES, EXPENSES, AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO STAPLED SECURITY HOLDERS OF THE GROUP AND RECOGNISED DIRECTLY IN EQUITY		7,797	9,317
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH STAPLED SECURITY HOLDERS AS OWNERS		42,522	43,125
Basic and diluted earnings per stapled security (cents)		12.84	13.90

	Notes	AGGREGATED	
		Jun-04 \$'000	Jun-03 \$'000
STATEMENT OF DISTRIBUTION			
Net operating profit from ordinary activities		34,725	33,808
Net transfer of undistributed income (to)/from members' funds		(4,366)	(7,908)
Distributions paid and payable	5(b)	30,359	25,900
Distribution per stapled security (cents per unit)		11.23	10.50

ABACUS PROPERTY GROUP

COMBINED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

	Notes	AGGREGATED	
		Jun-04 \$'000	Jun-03 \$'000
CURRENT ASSETS			
Cash assets	23	24,367	29,166
Receivables	6	28,389	17,810
Investment properties	7	20,921	37,013
Other financial assets	8	55,440	31,137
Other	9	1,062	1,035
TOTAL CURRENT ASSETS		130,179	116,161
NON - CURRENT ASSETS			
Plant and equipment	10	171	177
Investment properties	7	198,605	224,881
Investments accounted for using the equity method	11	8,778	4,504
Other financial assets	13	45,726	34,114
Deferred tax assets	4	206	172
Intangible assets	14	32,394	34,169
Other	15	-	17
TOTAL NON-CURRENT ASSETS		285,880	298,034
TOTAL ASSETS		416,059	414,195
CURRENT LIABILITIES			
Payables	16	3,396	4,274
Interest-bearing liabilities	17	98,135	40,975
Current tax liabilities	4	(123)	3,223
Provisions	18	8,410	7,314
TOTAL CURRENT LIABILITIES		109,818	55,786
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	19	3,100	67,500
Provisions	20	397	328
TOTAL NON-CURRENT LIABILITIES		3,497	67,828
TOTAL LIABILITIES		113,315	123,614
NET ASSETS		302,744	290,581
EQUITY			
Contributed equity	21	266,334	266,334
Asset revaluation reserve	22(a)	26,398	14,462
Retained earnings	22(b)	10,012	9,785
TOTAL EQUITY		302,744	290,581

ABACUS PROPERTY GROUP

COMBINED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2004

	Notes	AGGREGATED	
		Jun-04 \$'000	Jun-03 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Income receipts		32,372	42,035
Interest received		10,302	7,599
Distributions received		380	-
Income tax expense paid		(3,574)	(954)
Audit fees		(120)	(70)
Responsible entity fees paid		-	(283)
Custodian's fee paid		(54)	(63)
Borrowing costs		(7,824)	(10,574)
Merger and listing costs		-	(628)
Operating payments		(9,114)	(5,378)
NET CASH FLOWS FROM OPERATING ACTIVITIES	23(b)	22,368	31,684
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		(145,882)	(65,344)
Proceeds from settlement of investments		110,896	22,720
Purchase of controlled entities		-	(4,308)
Purchase of investment properties		(13,775)	(16,500)
Disposal of investment properties		56,206	77,290
NET CASH FLOWS FROM INVESTING ACTIVITIES		7,445	13,858
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of stapled securities		-	68,972
Payment of establishment fees		-	(3,798)
Repayment of borrowings		(40,004)	(61,481)
Proceeds from borrowings		34,733	-
Distributions paid		(29,341)	(22,785)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(34,612)	(19,092)
NET INCREASE/(DECREASE) IN CASH HELD		(4,799)	26,450
Add opening cash brought forward		29,166	2,716
CLOSING CASH CARRIED FORWARD	23(a)	24,367	29,166

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 including 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 and investments in listed securities which are carried at fair value, and for investments in joint ventures which are equity accounted.

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

(b) Principles of aggregation

The combined financial statements include the aggregated financial statements of 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

(c) Provision for distribution

A provision for distribution is recognised in the Statement of Financial Position if the provision has been declared, determined or publicly recommended prior to balance date. The Abacus Trust's Constitution requires the Trust's distributable profit to be distributed to unitholders in full. As a liability for distribution arises upon the derivation of profit by the Trust, a provision for distribution has been recognised at balance date.

(d) Cash and cash equivalents

Cash on hand and in banks are stated at nominal value.

For the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(e) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(f) Investment properties

Cost and valuation

Land and buildings are considered to have the function of an investment and are therefore regarded as a composite asset and are referred to in these accounts as "investment properties". Accounting Standard AASB 1021 "Depreciation" does not require investment properties to be depreciated. Accordingly, the buildings and components thereof (including plant and equipment) are not depreciated. However, investment properties are depreciated for tax purposes prior to the distribution of any taxable income to security holders.

Investment properties are carried at fair value. Independent valuations of investment properties are obtained at intervals of not more than three years from suitably qualified property valuers. Such valuations are reflected in the financial statements of the Group. Notwithstanding, the directors of the Responsible Entity assess the carrying value of each investment property at each reporting date to ensure its carrying value does not materially differ from its fair value. Where necessary, the investment property is revalued to reflect its fair value being the amount which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction at the valuation date.

A revaluation increment is credited directly to the asset revaluation reserve, unless it reverses a previous revaluation decrement charged as an expense in determining operating profit in respect of that same class of asset, in which case the increment is credited to operating profit.

When assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount because the Trust does not expect to be ultimately liable for CGT in respect of the assets.

Expenditures capitalised to properties include the cost of acquisition, capital and refurbishment additions, and during development includes financing charges and related professional fees incurred.

(g) Investments

Listed securities held for trading are carried at net market value. Changes in the net market value are recognised as a revenue or expense during the period.

Investments in associates are carried at the lower of the equity-accounted amount and recoverable amount in the combined financial report.

All other non-current investments are carried at the lower of cost and recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(h) Plant and equipment

Cost and valuation

All classes of plant and equipment are measured at cost.

Depreciation

Depreciation is provided on a straight-line basis on all plant and equipment.

Major depreciation periods are:	Jun 04	Jun 03
Plant and equipment	5-15 years	5-15 years

(i) Joint ventures

Interest in the joint venture operation is recognised by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred.

Interest in the joint venture partnership is carried at the lower of the equity-accounted amount and recoverable amount in the combined financial report.

(j) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity.

Goodwill is amortised on a straight-line basis over the period during which benefits are expected to be received. This is taken as being 20 years.

(k) Payables

Payables represent liabilities to trade and other creditors for goods and services provided to the Group, whether or not billed, and are unpaid as at the end of the financial year. The amounts are non-interest bearing and are normally settled on 30 day terms.

(l) Interest-bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

(m) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group.

Any transaction costs arising on the issue of the stapled securities are recognised directly in equity as a reduction of the proceeds received.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Operating leases

The rental income from operating leases is recognised in accordance with the terms of the lease agreements and other constituent documents.

Investment Income

Revenue from other investment activities is recognised in accordance with the terms set out in the mortgage or loan documentation.

Revenue from sale of investment properties

Revenue from sale of investment properties is recognised on exchange of unconditional contract of sale.

Fees

Revenue from fees is recognised in accordance with the terms and conditions of the agreements.

Interest

Control of the right to receive the interest payment.

Distributions

Control of the right to receive the distribution payment.

(o) Leasing Fees

Costs that are directly associated with negotiating and executing the ongoing renewal of tenant lease agreements (including commissions, legal fees and costs of preparing and processing documentation for new leases) are deferred and amortised over the lease term in proportion to the rental revenue recognised in each financial year.

(p) Leasing Incentives

Lease incentives in the form of up-front payments, contributions to certain lessees' costs, relocation costs and fitouts that are offered in relation to the ongoing operation of the property are recognised as an asset and amortised over the period to which the lease relates.

Incentives provided to lessees in the form of lessor-paid fitouts and improvements that remain assets of the lessor, for example by becoming part of the structure of the property which is retained beyond the lease term, are capitalised to the carrying value of the property.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(q) Taxes

Company income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Trust income taxes

Under current income tax legislation a trust is not subject to income tax if the taxable income is distributable in full to security holders. It is the policy of the Group to ensure that security holders are personally entitled to all the Trust's taxable income.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST receivable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

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

(r) Employee entitlements

Provision is made for employee entitlements accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at amounts expected to be paid when liabilities are settled.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(r) Employee entitlements continued

All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by the employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities, which have terms to maturity approximating the terms of the related liability, are used.

Employee entitlement expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave, and other leave entitlements; and
- other types of employee entitlements

are recognised against profits on a net basis in their respective categories.

(s) Derivative financial instruments

Interest rate swaps

Abacus Property Group enters into interest rate swap agreements that are used to convert the variable interest rate of its short-term borrowings to medium-term fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates.

It is the Group's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

(t) Earnings per stapled security (EPSS)

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

(u) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	AGGREGATED	
		Jun-04 \$'000	Jun-03 \$'000
2. REVENUE FROM ORDINARY ACTIVITIES			
Revenues from operating activities			
Property rental income		22,847	30,038
Interest income from investments		12,897	6,984
Fee income from investments		636	458
Revenue from sale of investment properties		73,318	98,863
Property management fees		575	128
Fund management fees		1,442	734
Consulting and other fees		3,020	2,589
Total revenues from operating activities		114,735	139,794
Revenues from non-operating activities			
Distributions from other entities		3,148	-
Bank interest		807	951
Total revenues from non-operating activities		3,955	951
Total revenues from ordinary activities		118,690	140,745
Share of net profit of joint ventures accounted for using the equity method			
Share of joint venture profits		4,291	781
Gains			
Net gains on disposal of investment properties		6,999	15,565

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	AGGREGATED	
		Jun-04 \$'000	Jun-03 \$'000
3. EXPENSES			
Depreciation of non-current assets			
Plant and equipment		49	41
Total depreciation of non-current assets		49	41
Amortisation of non-current assets			
Finance costs		19	8
Goodwill		1,775	1,594
Leasehold alterations		155	-
Software		16	17
Total amortisation of non-current assets		1,965	1,619
Total depreciation and amortisation expenses		2,014	1,660
Borrowing costs expensed			
Interest expense		8,159	10,737
Total borrowing costs expensed		8,159	10,737
Bad and doubtful debts		449	271
Other expenses			
Property outgoing		4,161	4,367
Expenses on sales of investment properties		1,573	1,451
Performance fee		-	3
Auditor's remuneration		107	73
Responsible entity's remuneration		-	331
Custody fees		47	78
Distribution costs		111	(3)
Rental expenses		268	-
Other		1,706	2,378
Total other expenses		7,973	8,678

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	AGGREGATED	
		Jun-04 \$'000	Jun-03 \$'000
4. INCOME TAX			
The prima facie tax, using tax rates applicable in the country of operation, on profit and extraordinary items differs from the income tax provided in the financial statements as follows:			
Net profit from ordinary activities before income tax		34,918	37,085
Less net profit attributable to Abacus Trust		(35,374)	(28,115)
Company profit from ordinary activities before income tax		(456)	8,970
Prima facie tax on profit (loss) from ordinary activities		(137)	2,691
Tax effect of permanent differences			
Capital expenses		(79)	(52)
Depreciation		(45)	(26)
Amortisation of intangible assets		533	399
Non-assessable capital gain		273	(5)
Prior years' tax losses		-	(123)
Other items (net)		(352)	393
Income tax expense attributable to ordinary activities		193	3,277
Deferred tax assets and liabilities			
Current tax payable		(144)	3,212
Provision for deferred income tax - current		21	11
Future income tax benefit - non-current		206	172

Tax consolidation

Effective 1 July 2002, for purposes of income taxation, Abacus Group Holdings Limited and its 100% owned subsidiaries formed a tax consolidation group. Members of the group entered into a tax sharing agreement providing for allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date the possibility of default is remote. The head entity of the tax consolidated group is Abacus Group Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	AGGREGATED	
		Jun-04 \$'000	Jun-03 \$'000
5. DISTRIBUTIONS PAID OR PROVIDED FOR ON STAPLED SECURITIES			
(a) Distributions proposed and recognised as a liability			
Distribution (3.00c per stapled security) (2003: 2.63c)		8,117	7,099
(b) Distributions paid during the year			
<i>(i) Current year interim</i>			
Distribution (8.23c per stapled security) (2003: 7.88c)		22,242	18,801
		30,359	25,900
<i>(ii) Previous year final</i>			
Distribution (2.63c per stapled security) (2003: 2.63c)		7,099	4,143
<p>The distributions were paid from the Abacus Trust (which does not pay tax provided it distributes all its the taxable income) hence, there are no franking credits attached.</p>			
(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%		5,708	2,132
- franking credits that will arise from the payment of income tax payable as at the end of the financial year		-	3,212
		5,708	5,344
6. RECEIVABLES			
Trade debtors		9,733	5,805
Property sales receivable		13,901	10,296
Short-term deposits		132	1,562
Distributions receivable		4,500	-
Other debtors		123	147
		28,389	17,810

(a) Terms and conditions

Terms and conditions relating to the above financial instruments:

- (i) Trade and other debtors are non-interest bearing and generally on 30 day terms.
- (ii) Terms and conditions of contracts of sale of property vary but settlement is normally within 3 months after exchange.
- (iii) Short-term deposits have an average maturity of 30 days and have a floating interest rate which has averaged 5.15% for the year (2003: 4.59%).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

7. INVESTMENT PROPERTIES

Property	Acquisition date	Cost including all additions \$'000	Independent valuation date	\$'000	Aggregated value Jun-04 note (a) \$'000	Jun-03 \$'000
(a) Current asset						
109 Pitt Street, Sydney, NSW (i) (see note (b) below)	22-Jun-99	20,921			20,921	37,013
Current asset - Investment properties					20,921	37,013
(b) Non-current assets						
10 Market Street, Brisbane, QLD (i)	22-Apr-02	-	-	-	-	20,059
66 Christina Road, Villawood, NSW (ii)	28-May-02	8,094	31-Jan-02	7,500	8,094	8,028
CSIRO, Limestone Ave., Campbell, ACT (v)	21-Jun-02	12,685	31-Dec-03	14,000	14,000	12,685
Central Brunswick, Fortitude Valley, QLD (iv)	27-Feb-98	-	-	-	-	20,000
4 Ray Road, Epping, NSW (iii)	30-Apr-97	27,184	1-Dec-03	40,000	40,339	35,242
431 Glebe Point Road, Glebe, NSW (iv)	23-Sep-97	10,561	31-Dec-03	12,500	12,538	11,074
Ashfield Mall, Ashfield, NSW (v)	15-Sep-97	69,717	30-Jun-03	89,000	89,055	89,000
10-12 Pike Street, Rydalmere, NSW (v)	1-Oct-98	14,271	31-Dec-03	16,000	16,009	14,900
Properties owned by Abacus Trust and its controlled entities					180,035	210,988
244 Liverpool Road, Ashfield, NSW (i)	26-Mar-98	2,507			2,507	2,507
252 Liverpool Road, Ashfield, NSW (i)	2-Mar-00	1,107			1,107	1,107
254 Liverpool Road, Ashfield, NSW (i)	31-Aug-01	2,662			2,662	2,662
256 Liverpool Road, Ashfield, NSW (i)	29-Sep-98	820			820	820
Independent valuation, 244-256 Liverpool Road			31-Dec-03	7,400	304	1,201
Project development costs		458			458	449
					7,858	8,746
Hornsby Crescent, Hornsby (c)		5,557			5,557	-
4-8 Jacobs Street, Bankstown (iii)	2-Dec-02	5,155	26-Sep-02	4,765	5,155	5,147
Properties owned by AGHL and its controlled entities					18,570	13,893
Non-current - Investment properties					198,605	224,881
Total investment properties					219,526	261,894

(i) As valued by Landmark White Pty Limited

(ii) As valued by Knight Frank Pty Limited

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

(iv) As valued by Urbis Property Consultants

(v) As valued by FPD Savills (NSW) Pty Limited

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

7. INVESTMENT PROPERTIES continued

Notes:

- (a) The aggregated value at 30 June 2004 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 ended 30 June 2003 while the sale of the commercial units is still in progress.
- (c) This reflects the 50% interest in the Hornsby joint venture, a residential project under construction. Capitalised interest at year end amounted to \$404,000 at a weighted average interest rate of 13.9% per annum.
- (d) The investment properties are used as security over the bank loans (see notes 17 and 19).

	Aggregated value	
	Jun-04	Jun-03
	\$'000	\$'000
Reconciliations		
Reconciliation of the carrying amounts of investment properties at the beginning and end of the current and previous financial year:		
<i>Investment properties</i>		
Carrying amount at beginning	261,894	300,854
Additions	14,582	31,611
Net revaluation increments	7,797	9,317
Disposals	(64,747)	(79,888)
	<u>219,526</u>	<u>261,894</u>

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	AGGREGATED	
		Jun-04 \$'000	Jun-03 \$'000
8. OTHER FINANCIAL ASSETS (CURRENT)			
Investment in mortgage loans - secured	8(a)	48,363	29,049
Accrued interest on mortgage loans		7,077	-
Investment in mortgage loans - unsecured		-	2,088
		<u>55,440</u>	<u>31,137</u>

(a) Mortgages are secured by real property assets. Weighted average interest rate was 16.56% pa as at 30 June 2004 (2003:14.2% pa). Repayment dates are on or before 30 June 2005.

9. OTHER CURRENT ASSETS

Refundable deposits		-	1
Prepayments		1,062	1,034
Total other current assets		<u>1,062</u>	<u>1,035</u>

10. PLANT AND EQUIPMENT

Plant and equipment			
At cost		536	474
Accumulated depreciation		(365)	(297)
Total written down amount		<u>171</u>	<u>177</u>

Reconciliations

Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial year.

Carrying amount at beginning		177	-
Acquisitions		59	236
Depreciation and amortisation expense		(65)	(59)
		<u>171</u>	<u>177</u>

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

11. INVESTMENTS ACCOUNTED FOR
USING THE EQUITY METHOD

INTEREST IN ASSOCIATES AND JOINT VENTURES Name	Balance Date	Ownership interest held by consolidated entity	
		Jun-04	Jun-03
		%	%
Abacus Private Equity Fund Neutral Bay	30-Jun	50	50
Abacus Rosebery Property Trust	30-Jun	50	50
The Bondi Trust	30-Jun	-	50
The Mascot Unit Trust	30-Jun	-	50
Willoughby Development Trust	30-Jun	50	50
The Mornington Investment Unit Trust	30-Jun	50	-
Pakenham Valley Unit Trust	30-Jun	50	-
The Main Street Pakenham Unit Trust	30-Jun	50	-
The Highett Apartments Unit Trust	30-Jun	50	-
Highett Plaza Unit Trust	30-Jun	50	-

(i) Principal activities

The associates and joint ventures acquire and develop commercial and residential investment properties intended for resale.

	AGGREGATED	
	Jun-04 \$'000	Jun-03 \$'000
(ii) Share of associates' and joint ventures' profits		
Share of associates' and joint ventures':		
- net profit before income tax	4,291	781
- income tax expense attributable to net profit	-	-
Share of associates and joint ventures' net profits	4,291	781
(iii) Carrying amount of investments in associates and joint ventures		
Balance at the beginning of financial year	4,504	1,501
- share of net result	4,291	781
- investments acquired	6,572	2,222
- investments disposed	(6,589)	-
Carrying amount of investments in associates and joint ventures at the end of the financial year	8,778	4,504

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

11. INVESTMENTS ACCOUNTED FOR
USING THE EQUITY METHOD continued

	AGGREGATED	
	Jun-04 \$'000	Jun-03 \$'000
<i>(iv) Share of associates' and joint ventures' assets and liabilities</i>		
Current assets	15,380	256
Non-current assets	26,259	19,593
Current liabilities	(17,400)	(223)
Non-current liabilities	(15,461)	(15,122)
Net assets	8,778	4,504
<i>(v) Retained earnings of the Group attributable to the associates and joint ventures</i>		
Balance at the beginning of the financial year	782	1
Share of profits of associates and joint ventures	4,291	781
Distribution of profits of associates and joint ventures	(4,292)	-
Balance at the end of the financial year	781	782

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

12. CONTROLLED ENTITIES

Name	% of equity interest held by the combined entity		Investment	
	Jun-04	Jun-03	Jun-04	Jun-03
	%	%	\$'000	\$'000
Abacus Trust:				
Abacus Central Brunswick Property Trust	100	100	-	5,318
Abacus Glebe Property Trust	100	100	7,083	5,684
Abacus Epping Park Property Trust	100	100	25,663	20,782
Abacus Ashfield Mall Property Trust	100	100	48,962	48,962
Abacus Industrial Property Trust	100	100	7,902	6,802
Abacus Campbell Property Trust	100	100	1,315	-
Abacus Mortgage Fund	100	100	17,250	17,250
Abacus Group Holdings Limited:				
Abacus Funds Management Limited	100	100	38,500	38,500
Abacus Property Services Pty Limited	100	100	-	-
Abacus Finance Pty Limited	100	100	-	-
Abacus Property Income Fund	100	100	37,725	37,725
Abacus Pitt Street Property Trust	100	100	21,825	22,734
Abacus Bankstown Property Trust	100	100	-	-
Abacus Hornsby Pty Limited	100	100	-	-
			206,225	203,757

All entities are incorporated in Australia.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	AGGREGATED	
		Jun-04 \$'000	Jun-03 \$'000
13. OTHER FINANCIAL ASSETS (NON-CURRENT)			
Investments in mortgage loans - secured	13(a)	6,632	8,109
Investments in mortgage loans - unsecured	13(b)	30,163	20,680
Accrued interest on mortgage loans		2,168	-
Provision for doubtful debts		(1,867)	(1,500)
		<u>37,096</u>	<u>27,289</u>
Investments in units in listed property trusts		2,568	-
Investments in units - unlisted		6,062	6,825
		<u>45,726</u>	<u>34,114</u>

(a) Mortgages are secured by real property assets. Repayment dates fall between 4 November 2005 and 30 April 2006. Weighted average interest rate was 14.82% pa as at 30 June 2004 (2003: 18.6%).

(b) Interim funding is provided to Abacus Diversified Income Fund and Abacus Retail Property Trust to enable them to acquire properties ahead of receipt of funds from investors. The loans are unsecured and the facilities will mature on 6 June 2008 and 12 February 2009 respectively. Weighted average interest rate was 9% pa as at 30 June 2004 (2003: 8%).

	Notes	AGGREGATED	
		Jun-04 \$'000	Jun-03 \$'000
14. INTANGIBLES			
Goodwill		35,500	35,763
Accumulated amortisation		(3,106)	(1,594)
		<u>32,394</u>	<u>34,169</u>
15. OTHER NON-CURRENT ASSETS			
Deferred finance costs		-	45
Less accumulated amortisation		-	(28)
		<u>-</u>	<u>17</u>
16. PAYABLES			
Trade creditors	16(a)	250	160
Other creditors		1,050	1,005
Goods and services tax		243	1,293
Accrued expenses		1,853	1,816
		<u>3,396</u>	<u>4,274</u>

(a) Trade and other creditors are non-interest bearing and are normally settled on 30 day terms.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	AGGREGATED	
		Jun-04 \$'000	Jun-03 \$'000
17. INTEREST-BEARING LIABILITIES (CURRENT)			
Borrowings secured by mortgage			
- bank loans	17(a)	98,135	40,975

(a) The bank loans are provided by several banks. Interest rates include both fixed and floating arrangements. The interest rates on fixed rate borrowings had a weighted average of 7.4% at year end (2003: 7.4%), while interest on floating rate borrowings are paid quarterly based on existing swap and yield rates quoted on the day. Repayment dates are on or before 30 June 2005. Total loan facilities existing at year end were \$120.2 million the unused portion of which was \$19 million at 30 June 2004.

The bank loans are secured by a charge over the investment properties as described in Note 7.

18. PROVISIONS (CURRENT)

Distributions on stapled securities	5(a)	8,117	7,099
Employee entitlements	25	293	215
		<u>8,410</u>	<u>7,314</u>

19. INTEREST-BEARING LIABILITIES (NON-CURRENT)

Borrowings secured by mortgage			
- bank loans	19(a)	3,100	67,500

(a) The bank loan is on a floating interest rate arrangement paid quarterly based on existing swap and yield rates quoted on the day. Repayment date is on 30 November 2005.

The bank loan is secured by a charge over investment properties as described in Note 7.

20. PROVISIONS (NON-CURRENT)

Employee entitlements		<u>397</u>	<u>328</u>
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NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	AGGREGATED	
		Jun-04 \$'000	Jun-03 \$'000
21. CONTRIBUTED EQUITY			
(a) Issued stapled securities			
Issued capital		272,655	272,655
Finance and issue costs		(6,321)	(6,321)
Total contributed equity		<u>266,334</u>	<u>266,334</u>

(b) Movements in contributed equity for the year

	Jun-04		Jun-03	
	Stapled securities		Stapled securities	
	Number '000	Value \$'000	Number '000	Value \$'000
Beginning of the financial year	270,420	266,334	164,897	160,840
- public equity raising	-	-	26,971	28,272
- institutional equity raising	-	-	37,000	40,700
- dividend reinvestment plan	-	-	288	292
- purchase of 101 Pirie Street	-	-	8,264	8,310
- acquisition of Abacus Funds Management Limited by Abacus Group Holdings Limited	-	-	30,000	31,500
- issued to AFML in exchange for reduced management fee	-	-	3,000	-
- less transaction costs	-	-	-	(3,580)
Bought back during the year	-	-	-	-
End of the financial year	<u>270,420</u>	<u>266,334</u>	<u>270,420</u>	<u>266,334</u>

(c) Terms and conditions of contributed equity

Stapled security holders have the right to receive distributions as declared and, in the event of winding up of the group, to participate in the proceeds from sale of all surplus assets in proportion to the number of stapled securities held.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	AGGREGATED	
		Jun-04 \$'000	Jun-03 \$'000
22. RESERVES AND RETAINED PROFITS			
(a) Asset revaluation reserve			
(i) Nature and purpose of reserve			
The asset revaluation reserve is used to record increments and decrements in the value of investment properties. The reserve can only be used to pay dividends or distributions in limited circumstances.			
(ii) Movements in reserve			
Balance at beginning of year		14,462	5,145
Revaluation increments on revaluation of investment properties		7,797	11,356
Realised revaluation reserve on sale of investment properties		4,139	(2,039)
Balance at end of year		<u>26,398</u>	<u>14,462</u>
(b) Retained profits			
Balance at the beginning of year		9,785	(162)
Net profit attributable to stapled security holders		34,725	33,808
Capital profits/(losses)		(4,139)	2,039
Total available for appropriation		<u>40,371</u>	<u>35,685</u>
Distributions provided for or paid		(30,359)	(25,900)
Balance at end of year		<u>10,012</u>	<u>9,785</u>

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	AGGREGATED	
		Jun-04 \$'000	Jun-03 \$'000
23. STATEMENT OF CASH FLOWS			
(a) Reconciliation of the net profit after tax to the net cash flows from operations			
Net profit		34,725	33,808
Depreciation and amortisation of non-current assets		2,014	1,660
Provision for doubtful debts		449	-
Share of joint venture profits		(368)	(781)
Unrealised loss on investments		19	-
Net gain on sale of non-current assets		(6,998)	(17,525)
Increase in payables		12,487	10,862
Decrease/(increase) in receivables and other assets		(19,960)	3,660
		<u>22,368</u>	<u>31,684</u>
(b) Reconciliation of cash			
Cash balance comprises:			
Cash assets		24,367	29,166
Closing cash balance		<u>24,367</u>	<u>29,166</u>
(c) Financing facilities available			
At reporting date, the following financing facilities had been negotiated and were available:			
Total facilities			
- bank loans		126,113	127,475
Facilities used at reporting date			
- bank loans		(101,235)	(108,475)
Facilities unused at reporting date			
- bank loans		24,878	19,000

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	AGGREGATED	
		Jun-04 \$'000	Jun-03 \$'000
24. CAPITAL AND EXPENDITURE COMMITMENTS			
Joint ventures			
The Group has remaining "at call" contributions to the joint venture projects to an aggregate amount of:		17,956	1,660
Other persons			
Projected expenditure outlay to complete the refurbishment of the property at 109 Pitt Street, Sydney		1,815	7,069
25. EMPLOYEE ENTITLEMENTS			
The aggregate employee entitlement liability is comprised of:			
- provisions (current)		293	215
- provisions (non-current)		397	328
		690	543

26. EARNINGS PER STAPLED SECURITY

The following reflects the income and stapled securities data used in the calculation of basic and diluted earnings per share:

	Jun-04 \$'000	Jun-03 \$'000
Net profit	34,725	33,808
	Number of stapled securities	
	Jun-04 '000	Jun-03 '000
Weighted average number of stapled securities	270,420	243,172

27. SUBSEQUENT EVENTS

Since balance date the Group has settled the acquisition of the Liverpool Plaza Shopping Centre in Sydney's west for \$29.8 million on 16 August 2004 and has exchanged contracts to acquire a 50% interest in Santos House, a commercial office tower in Adelaide, for \$51 million. Funding for these acquisitions is being provided through the Group's cash and drawings on its loan facilities.

The Group has also completed an institutional placement of 27 million securities at an issue price of \$1.18 per security, raising \$31.9 million. These securities, allotted on 9 August 2004, will ensure that the level of gearing following settlement of the Liverpool Plaza and Santos House acquisitions will leave the Group with the capacity to pursue further property acquisitions as opportunities arise.

Since 30 June 2004 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 combined entity.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

28. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Remuneration Policy

The Board of Directors 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 provided below.

(b) Details of Specified Directors and Specified Executives

(i) Specified Directors

Mr John Thame	Chairman
Dr Frank Wolf	Deputy Chairman (Executive)
Mr David Bastian	Managing Director
Mr Dennis Bluth	Director (non-executive)
Mr Phillip Green	Director (non-executive)
Mr Malcolm Irving	Director (non-executive)
Mr Len Lloyd	Executive Director (AGHL)

(ii) Specified Executives

J L'Estrange	General Manager – Property Finance
R Hill	Chief Financial Officer
P Strain	General Manager – Leasing and Administration
K Kitchen	General Manager – Distribution
C Bibby	General Counsel

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

28. DIRECTOR AND EXECUTIVE DISCLOSURES continued

(c) Remuneration of Specified Directors

	Salary & Fees	Cash Bonus	Super- annuation	Total
J Thame				
2004	71,663	-	7,087	78,750
2003	53,618	-	5,303	58,921
F Wolf				
2004	525,000	350,000	-	875,000
2003	500,000	250,000	-	750,000
D Bastian				
2004	461,498	250,000	11,002	722,500
2003	439,481	250,000	10,519	700,000
D Bluth				
2004	33,251	-	3,289	36,540
2003	34,107	-	2,549	36,656
P Green				
2004	28,665	-	2,835	31,500
2003	21,447	-	2,121	23,568
M Irving				
2004	31,500	-	-	31,500
2003	23,568	-	-	23,568
L Lloyd				
2004	150,000	20,000	60,000	230,000
2003	151,978	25,000	-	176,978
Total Remuneration of Specified Directors				
2004	1,301,577	620,000	84,213	2,005,790
2003	1,224,199	525,000	20,492	1,769,691

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

28. DIRECTOR AND EXECUTIVE DISCLOSURES continued

(d) Remuneration of Specified Executives

	Salary & Fees	Cash Bonus	Superan- nuation	Total
J L'Estrange				
2004	194,293	50,000	11,002	255,295
2003	185,000	50,000	10,519	245,519
R Hill				
2004	193,748	-	11,002	204,750
2003	184,481	25,000	10,519	220,000
P Strain (i)				
2004	153,435	20,000	11,002	184,437
2003	-	-	-	-
K Kitchen				
2004	146,498	25,000	11,002	182,500
2003	139,481	10,000	10,519	160,000
C Bibby				
2004	146,498	15,000	11,002	172,500
2003	129,481	10,000	10,519	150,000
Total Remuneration of Specified Executives				
2004	834,472	110,000	55,010	999,482
2003	638,443	95,000	42,076	775,519

(i) P Strain was not a specified executive in 2003.

(e) Security holdings of Specified Directors and Specified Executives and their related parties

Securities held in Abacus Property Group (number)	Balance 1 July 03	Net Change Other	Balance 30 June 04
Specified Directors			
J Thame	17,000	18,000	35,000
F Wolf	6,806,046	-	6,806,046
D Bastian	7,040,000	-	7,040,000
P Green	9,366,930	-	9,366,930
M Irving	20,000	-	20,000
Specified Executives			
R Hill	306,518	82,012	388,530
P Strain	-	10,000	10,000
K Kitchen	13,492	-	13,492
C Bibby	4,500	-	4,500
Total	23,574,486	110,012	23,684,498

All equity transactions with specified directors and specified executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

28. DIRECTOR AND EXECUTIVE DISCLOSURES continued

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.

During the year ended 30 June 2004 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 (AFML) as Responsible Entity.

Director-related entity transactions

Abbott Tout was paid \$379,132 (2003: \$496,431) for legal services relating to corporate issues, lease documentation and sales contracts. A partner in Abbott Tout, Mr Dennis Bluth, is a director of Abacus Funds Management Limited and Abacus Group Holdings Limited (AGHL).

Babcock & Brown Pty Limited was paid an arrangement fee of \$50,000 (2003:\$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.

During the year FSP Group Pty Limited was paid \$330,282 (2003: \$236,425) for rental of office premises and for telephone and electricity charges. Dr Wolf, Mr Bastian and Mr. Green are directors of AFML, AGHL and FSP Group Pty Limited.

29. RELATED PARTY DISCLOSURES

Wholly-owned group transactions

Loans made by Abacus Trust to AGHL and its subsidiaries amounted to \$131 million including interest repayable on or before 30 June 2008. Interest is charged at 14% per annum (2003: 12.3%).

In accordance with existing constitutions, management agreements and prospectuses, Abacus Funds Management Limited (Responsible Entity) and its subsidiary Abacus Property Services Pty Limited were paid performance, property and funds management fees during the year by other entities within the Group in the total amount of \$1.3 million (2003: \$3.1million).

Related party transactions

AFML received \$825,768 in asset management fees and compliance cost recoveries from various trusts where AFML is the Responsible Entity. Abacus Property Services Pty Limited received \$637,592 in property management fees and salary recoveries from the same trusts. During the year AFML received \$601,875 in management fees from joint ventures in which the Group had interests.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

29. RELATED PARTY DISCLOSURES continued

Related party transactions continued

Abacus Funds Management Limited and its subsidiary Abacus Property Services Pty Limited were paid fees in relation to property acquisitions, project and property management, prospectus raising and other services during the year by Abacus Diversified Income Fund (ADIF) in the total amount of \$2.2 million. Abacus Independent Retail Property Trust (AIRPT) paid AFML \$13,800 for similar services. AFML is the responsible entity of ADIF and AIRPT.

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

Custodian

The Custodian of the Trust is Perpetual Trustee Company Limited. The Custodian is entitled to a fee equal to 0.015% of the gross asset value of the Group subject to a minimum fee of \$40,000 p.a.

	Notes	AGGREGATED	
		Jun-04	Jun-03
30. AUDITORS' REMUNERATION			
Amounts received or due and receivable by Ernst & Young Australia for:			
- an audit of the financial report of the entity and any other entity in the consolidated entity		107,400	72,959
- other services in relation to the entity and any other entity in the consolidated entity		-	23,100
		107,400	96,059

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

31. SEGMENT INFORMATION

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

	Property Rental & Sales		Other property- based investments		Funds Management		Total	
	Jun-04	Jun-03	Jun-04	Jun-03	Jun-04	Jun-03	Jun-04	Jun-03
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue:								
Revenues from customers outside the Group	96,166	128,901	20,972	8,223	5,036	3,451	122,174	140,575
Interest revenue							807	951
Total aggregated revenue							122,981	141,526
Segment results:								
Segment result	20,446	36,642	17,817	7,103	4,007	3,126	42,270	46,871
Interest income							807	951
Income tax							(193)	(3,277)
Borrowing costs							(8,159)	(10,737)
Group net profit							34,725	33,808
Segment assets:								
Segment assets	255,314	229,027	126,480	142,313	34,059	42,683	415,853	414,023
Unallocated assets							206	172
							416,059	414,195
Segment liabilities:								
Segment liabilities	1,500	22,775	307	394	2,279	1,724	4,086	24,893
Interest-bearing loans							101,235	88,400
Tax liabilities							(123)	3,224
Unallocated liabilities							8,117	7,097
							113,315	123,614
Other segment information:								
Acquisition of controlled entities	-	8,310	-	-	-	-	38,500	46,810
Depreciation and amortisation	174	8	-	-	1,840	1,611	2,014	1,619
Non-cash expenses other than depreciation and amortisation	82	534	367	-	-	-	449	534

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

31. SEGMENT INFORMATION continued

Segment accounting policies and segment location

The segment accounting policies are the same as the Group's policies described in Note 1. During the financial period, there were no changes in segment accounting policies that had a material effect on the segment information. The Group operates wholly within Australia.

32. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposures

The Group's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

Financial Instruments	Floating interest rate	Fixed interest rate maturing in:			Non-interest bearing	Total Carrying Amount	Weighted average effective interest rate
	\$'000	=<1 year	> 1 to 5 years	>5 years	\$'000	\$'000	
2004							
<i>Financial Assets</i>							
Cash at bank	24,367	-	-	-	-	24,367	5.13%
Other debtors	-	132	-	-	28,257	28,389	5.15%
Other financial assets	-	55,440	45,726	-	-	101,166	13.74%
	<u>24,367</u>	<u>55,572</u>	<u>45,726</u>	<u>-</u>	<u>28,257</u>	<u>153,922</u>	
<i>Financial Liabilities</i>							
Payables	-	-	-	-	3,396	3,396	-
Bank loans	101,235	-	-	-	-	101,235	7.37%
Interest rate swaps	(93,850)	-	93,850	-	-	-	7.40%
Distribution payable	-	-	-	-	8,117	8,117	-
	<u>7,385</u>	<u>-</u>	<u>93,850</u>	<u>-</u>	<u>11,513</u>	<u>112,748</u>	
2003							
<i>Financial Assets</i>							
Cash at bank	29,166	-	-	-	-	29,166	4.50%
Other debtors	-	1,562	-	-	17,284	18,846	4.51%
Other financial assets	-	31,137	28,789	6,825	-	66,751	12.60%
	<u>29,166</u>	<u>32,699</u>	<u>28,789</u>	<u>6,825</u>	<u>17,284</u>	<u>114,763</u>	
<i>Financial Liabilities</i>							
Payables	-	-	-	-	8,040	8,040	-
Bank loans	108,475	-	-	-	-	108,475	7.20%
Interest rate swaps	(88,850)	-	88,850	-	-	-	7.40%
Distribution payable	-	-	-	-	7,099	7,099	-
	<u>19,625</u>	<u>-</u>	<u>88,850</u>	<u>-</u>	<u>15,139</u>	<u>123,614</u>	

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

32. FINANCIAL INSTRUMENTS continued

(b) Credit risk exposures

Credit risk represents the risk that a counterparty will fail to perform contractual obligations under a contract.

The combined entity's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

(c) Net fair value of financial assets and liabilities

Recognised financial instruments

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short term to maturity.

Trade receivables and trade creditors: The carrying amount approximates fair value.

Short-term borrowings: The carrying amount approximates fair value because of their short term to maturity.

Long-term bank borrowings and debentures: The fair values of long-term borrowings are estimated by discounting expected cash flows at the interest rates currently offered to the Group for debt of the same remaining maturity and security plus costs expected to be incurred were the liability settled.

Non-current investments/securities: A reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same.

All other financial assets and liabilities have been recognised at the balance date at their net fair values, except for the following:

	Total carrying amount as per the statement of financial position		Aggregate net fair value	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<i>Financial liabilities</i>				
Bank loans	101,235	108,475	101,138	108,372
Interest rate swaps	N/A	N/A	(684)	1,975

N/A Not applicable since financial instruments are not recognised in the financial statements.

Unrecognised financial instruments

Interest rate swap agreements: The net fair value of interest rate swap contracts is determined as the difference in present value of the future interest cash flows.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

33. LEASES

All the properties owned by the combined entity are leased to third parties under operating leases at 30 June 2004. Lease terms vary between tenants.

	AGGREGATED	
	Jun-04 \$'000	Jun-03 \$'000
Future minimum rental revenues under non-cancellable operating leases at 30 June 2003 are as follows:		
- not later than one year	11,270	47,573
- later than one year and not later than five years	27,622	113,888
- later than five years	10,573	47,178
Total	49,465	208,639

34. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Australian Accounting Standards Board (AASB) is adopting International Accounting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue AASB equivalents to IFRS and Urgent Issues Group abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. The adoption of the new standards will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Set out below are the major changes to current accounting policies that may have an impact on the financial results of the Group. The future financial effect of the changes in accounting policies is not yet known as conditions and basis of assessment are not yet known.

Investment Properties

Under AASB 140 *Investment Property*, if investment properties are measured at fair value, gains or losses arising from changes in fair value will be recognised in profit or loss for the period in which they arise. The Group intends to value its investment properties at fair value adhering to the standard.

Under the current accounting policy, when investment properties are revalued to fair value, changes in fair value are recognised in the asset revaluation reserve.

Financial Instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial assets will be classified as either held for trading, held-to-maturity, available for sale or loans and receivables. Depending on the classification, assets will be measured at fair value or amortised cost. The Group intends to value its financial instruments at fair value.

It should be noted that general provisioning for doubtful debts is not allowed under the standard. Any provision should relate to a specific loan. The application of this standard may result in a decrease in the provision currently held.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

34. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) continued

Financial Instruments continued

The Group will also be required to determine the fair value of interest swaps and recognise any change in value at balance date in the profit and loss.

Goodwill

Under AASB 138 *Business Combinations*, goodwill will no longer be amortised but instead will be subject to annual impairment testing. This will result in a change to the current accounting policy under which goodwill is amortised on a straight line basis over its useful life but not exceeding 20 years. The amount of the amortisation of goodwill in 2004 was \$1,775,000. Our initial assessment is that it is unlikely there will be any impairment of goodwill in 2006.

Income Taxes

Under AASB 112 *Income Taxes*, deferred tax balances will be determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity will also be recognised directly in equity. The most significant impact will be the recognition of a deferred tax liability in relation to the asset revaluation reserve in Abacus Group Holdings Limited.

This will result in a change to the current accounting policy under which deferred tax balances are determined using the income statement method. Items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

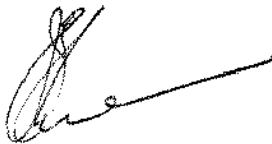
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Abacus Funds Management Limited, Responsible Entity of Abacus Trust, and the directors of Abacus Group Holdings Limited, we state that:

In the opinion of the directors, the financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (iii) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board



John Thame
Chairman



David Bastian
Managing Director

Sydney, 20 September 2004

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

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Abacus Property Group, consisting of the aggregated financial statements of Abacus Group Holdings Limited and Abacus Trust and the entities they controlled as at 30 June 2004 or during the year ended on that date ("the aggregated entity").

The directors of the Abacus Group Holdings Limited and Abacus Funds Management Limited, the Responsible Entity for Abacus Trust, are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the aggregated entity, and that complies with Accounting Standards in Australia, 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 financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the stapled security-holders of the aggregated entity. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the 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 financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the aggregated entity's financial position, and of its performance as represented by the results of their operations and cash flows.

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.



We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the aggregated entity.

Independence

We are independent of the aggregated entity, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Abacus Property Group is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Abacus Property Group at 30 June 2004 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

A handwritten signature in cursive script, appearing to read 'Mark O'Sullivan', written over the printed name and company name.

Ernst & Young

Mark O'Sullivan
Partner
Sydney
20 September 2004

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

The Annual Financial Report of Abacus Group Holdings Limited
(ABN 31 080 604 619) and its controlled entities.

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It is recommended that this Annual Financial Report should be read in conjunction with the Annual Financial Reports of Abacus Property Group and Abacus Trust as at 30 June 2004. It is also recommended that the report be considered together with any public pronouncements made by the Abacus Property Group in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

ABACUS GROUP HOLDINGS LIMITED

DIRECTORS' REPORT

30 JUNE 2004

The Directors of Abacus Group Holdings Limited (AGHL or the "Company") submit their report for the Company for the year ended 30 June 2004.

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
Frank Wolf	Deputy Chairman (Executive)
David Bastian	Managing Director
Dennis Bluth	Non-executive Director
Phillip Green	Non-executive Director
Malcolm Irving	Non-executive Director
Len Lloyd	Executive Director

PRINCIPAL ACTIVITIES

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

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

DIVIDENDS

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

REVIEW OF OPERATIONS

Overview

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

Abacus Group Holdings Limited operates funds management and property management businesses and participates in property refurbishment and development to add value to the assets within its portfolio. Abacus Group Holdings Limited also participates in joint venture projects with a number of experienced partners in NSW, Queensland and Victoria.

ABACUS GROUP HOLDINGS LIMITED

DIRECTORS' REPORT

30 JUNE 2004

REVIEW OF OPERATIONS continued

Operating Results for the Period

A summary of combined revenue and profits is as follows:

	Year ended 30 June 2004	
	Revenue \$'000	Profit \$'000
<i>Business Segments</i>		
Property rental and sales	32,275	1,481
Other property-based investments	13,139	10,984
Funds management	6,170	5,141
	<u>51,584</u>	<u>17,606</u>
Combined entity adjustments	274	(18,255)
<u>Combined entity operating revenue and profit</u>	<u>51,858</u>	<u>(649)</u>

Abacus Group Holdings Limited has continued the sale of the commercial office strata in 109 Pitt Street Sydney in tandem with the progressive refurbishment of the building. During the year ended 30 June 2004, sales of \$27.7 million were achieved, while a further \$5.5 million was spent on refurbishment. Profit from joint venture activities during the year amounted to \$4.3 million.

During the year, Abacus Funds Management Limited, in its role as Trustee/Manager, acquired seven additional properties for the Abacus Diversified Income Fund, increasing the gross assets under management from approximately \$60 million to approximately \$170 million.

Abacus Funds Management Limited currently manages assets of approximately \$675 million for the Abacus group.

Review of Financial Condition

No shares were issued during the year under review.

Existing bank loan facilities total approximately \$25.2 million, of which approximately \$17.2 million was drawn as at 30 June 2004. The Company manages interest rate exposure on debt facilities through the use of interest rate swap contracts. At year end, approximately \$11.1 million or 64.4% of interest commitments were hedged.

DIRECTORS' REPORT

30 JUNE 2004

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- Total equity decreased by \$1.5 million, from \$17.1 million in the year ended 30 June 2003 to \$15.6 million in the year ended 30 June 2004 due mainly to a decrement of \$0.9 million in the revaluation of four Liverpool Road properties.
- Retained earnings increased from \$7.0 million to \$7.3 million in year 2004.
- The Abacus Diversified Income Fund increased its gross assets under management to approximately \$170 million from \$60 million in June 2003.
- Total assets under management increased by over \$100 million to approximately \$675 million as at 30 June 2004.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 9 August 2004 the Group completed an institutional placement of 27 million securities at an issue price of \$1.18 per security, raising \$31.9 million of which \$1.4 million was received by Abacus Group Holdings Limited.

There have been no other significant events that occurred after balance date that 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 industry standards. No breaches of requirements or additional environmental issues have been discovered nor brought to the board's attention.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

ABACUS GROUP HOLDINGS LIMITED

DIRECTORS' REPORT

30 JUNE 2004

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 qualifications, experience and special responsibilities.

John Thame AIBF, FCPA Chairman (non-executive)
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 Deputy Chairman of St George Bank Limited and a director of AWB Limited, Reckon Limited and Village Building Co Ltd.

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 Financial Services Partners Pty Limited, Vector Financial Services Limited and Kingston Capital Limited as well as of HGL Limited, a diversified publicly listed investment company. Dr Wolf has over 20 years experience in the property and financial services industry.

David Bastian CPA 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 and an Executive Director of Godfrey Pembroke Financial Services Pty Limited for 7 years. 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 Non-executive director
LLM, LLB, BA 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.

ABACUS GROUP HOLDINGS LIMITED

DIRECTORS' REPORT

30 JUNE 2004

INFORMATION ON DIRECTORS continued

Phillip Green LLB, BCom Non-executive director

Mr Phillip Green holds Bachelor of Commerce and Bachelor of Law degrees and qualified as 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 Non-executive director
FCPA, FSIA, BCom, Chairman of Audit Committee
Hon DLitt 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, 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, ADI Limited and Resimac Limited.

Len Lloyd FAPI, LREA Executive director

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

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 and specified executives in the shares of Abacus Group Holdings Limited were as follows:

Directors:	
John Thame	35,000
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 Company.

Employees

The Abacus Property Group employed 41 employees (including directors) as at 30 June 2004 (2003: 41 employees). This includes 7 employees whose salary is fully recoverable from specific properties managed by the Group.

ABACUS GROUP HOLDINGS LIMITED

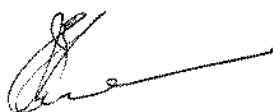
DIRECTORS' REPORT

30 JUNE 2004

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)



John Thame
Chairman



David J Bastian
Managing Director

Sydney, 20 September 2004

ABACUS GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04	Jun-03	Jun-04	Jun-03
		\$'000	\$'000	\$'000	\$'000
STATEMENT OF FINANCIAL PERFORMANCE					
REVENUES FROM ORDINARY ACTIVITIES	2	47,567	49,317	7,517	15,620
Share of net profits of associates and joint ventures accounted for using the equity method	2	4,291	781	1,050	-
Depreciation and amortisation expenses	3	(1,870)	(1,397)	(6)	(5)
Carrying amount of investment properties disposed		(23,250)	(21,938)	-	-
Borrowing costs expense	3	(18,336)	(10,963)	(10,048)	(7,806)
Bad and doubtful debts	3	-	(4)	-	-
Salaries and employee benefits expense		(4,608)	(2,904)	-	-
Other expenses from ordinary activities	3	(4,250)	(3,923)	(611)	(900)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(456)	8,969	(2,098)	6,909
Company income tax expense	4	(193)	(3,277)	(193)	(3,277)
NET PROFIT ATTRIBUTABLE TO MEMBERS OF ABACUS GROUP HOLDINGS LIMITED		(649)	5,692	(2,291)	3,632
(Decrease)/increase in asset revaluation reserve		(897)	2,259	(897)	2,259
TOTAL REVENUES, EXPENSES, AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS AND RECOGNISED DIRECTLY IN EQUITY		(897)	2,259	(897)	2,259
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH MEMBERS AS OWNERS		(1,546)	7,951	(3,188)	5,891
Basic and diluted earnings per share (cents)		(0.24)	2.34	-	-

ABACUS GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04 \$'000	Jun-03 \$'000	Jun-04 \$'000	Jun-03 \$'000
CURRENT ASSETS					
Cash assets	22	961	5,646	-	87
Receivables	6	25,827	11,717	4,627	227
Investment properties	10	20,921	37,013	-	-
Other financial assets	7	18,115	7,850	-	-
Other	8	277	202	39	29
TOTAL CURRENT ASSETS		66,101	62,428	4,666	343
NON - CURRENT ASSETS					
Plant and equipment	9	171	177	-	-
Investment properties	10	18,570	13,893	7,858	8,746
Investments accounted for using the equity method	11	8,778	4,504	7,998	3,723
Other financial assets	12	40,672	27,925	105,892	105,784
Deferred tax assets	4	206	172	206	172
Intangible assets	13	32,394	34,169	-	-
Other	14	-	18	-	6
TOTAL NON-CURRENT ASSETS		100,791	80,858	121,954	118,431
TOTAL ASSETS		166,892	143,286	126,620	118,774
CURRENT LIABILITIES					
Payables	15	2,500	2,664	45,551	31,355
Current tax liabilities	4	(123)	3,223	(123)	3,223
Interest bearing liabilities	16	14,135	16,975	-	-
Provisions	17	293	215	-	-
TOTAL CURRENT LIABILITIES		16,805	23,077	45,428	34,578
NON-CURRENT LIABILITIES					
Interest bearing liabilities	18	134,110	102,755	69,314	69,130
Provisions	19	397	328	-	-
TOTAL NON-CURRENT LIABILITIES		134,507	103,083	69,314	69,130
TOTAL LIABILITIES		151,312	126,160	114,742	103,708
NET ASSETS		15,580	17,126	11,878	15,066
EQUITY					
Contributed equity	20	6,662	6,662	6,662	6,662
Asset revaluation reserve	21(a)	1,653	3,460	1,653	3,460
Retained earnings/(accumulated losses)	21(b)	7,265	7,004	3,563	4,944
TOTAL EQUITY		15,580	17,126	11,878	15,066

ABACUS GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04 \$'000	Jun-03 \$'000	Jun-04 \$'000	Jun-03 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Income receipts		18,527	23,738	1,599	610
Interest received		4,119	599	3	9
Distributions received		380	-	380	-
Income tax expense paid		(3,574)	(953)	(3,574)	(64)
Responsible entity's fee paid		-	-	-	(36)
Borrowing costs		(740)	(1,521)	-	(55)
Merger and listing costs		-	(628)	-	(628)
Operating payments		(9,076)	(5,320)	(611)	(206)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	22(a)	9,636	15,915	(2,203)	(370)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for investments		(107,158)	(38,248)	(8,444)	(9,178)
Proceeds from sale of investments		80,882	823	1,500	-
Purchase of controlled entities		-	(4,825)	-	(7,000)
Purchase of investment properties		(12,743)	(14,601)	-	-
Disposal of investment properties		13,779	16,470	-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(25,240)	(40,381)	(6,944)	(16,178)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		-	4,134	-	4,134
Payment of establishment fees		-	(218)	-	-
Repayments of borrowings		(128,180)	(6,080)	(41,885)	(3,405)
Proceeds from borrowings		139,099	32,223	50,945	15,853
NET CASH FLOWS FROM FINANCING ACTIVITIES		10,919	30,059	9,060	16,582
NET INCREASE/(DECREASE) IN CASH HELD		(4,685)	5,593	(87)	34
Add opening cash brought forward		5,646	53	87	53
CLOSING CASH CARRIED FORWARD	22(b)	961	5,646	-	87

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 including applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention except for investment properties and investments in listed securities which are carried at fair value, and for investments in joint ventures which are equity accounted.

The accounting policies adopted are consistent with those of the previous year.

(b) 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 the "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 consolidated financial statements include the results for 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.

(c) Cash and cash equivalents

Cash on hand and in banks are stated at nominal value.

For the Consolidated Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(d) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

Bills of exchange and promissory notes are measured at the lower of cost and net realisable value.

(e) Investment properties

Cost and valuation

Land and buildings are considered to have the function of an investment and are therefore regarded as a composite asset and are referred to in these accounts as "investment properties". Accounting Standard AASB 1021 "Depreciation" does not require investment properties to be depreciated. Accordingly, the buildings and components thereof are carried at fair value and are not depreciated. However, investment properties are depreciated for tax purposes prior to the distribution of any taxable income to members.

Independent valuations of investment properties are obtained at intervals of not more than three years from suitably qualified property valuers. Such valuations are reflected in the financial statements of the consolidated entity. Notwithstanding, the directors assess the carrying value of each investment property at each reporting period to ensure its carrying value does not materially differ from its fair value. Where necessary, the investment property is revalued to reflect its fair value being the amounts which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction at the valuation date.

A revaluation increment is credited directly to the asset revaluation reserve, unless it reverses a previous revaluation decrement charged as an expense in determining operating profit in respect of that same class of asset, in which case the increment is credited to operating profit.

Expenditure capitalised to properties includes the cost of acquisition, capital and refurbishment additions, and during development includes financing charges and related professional fees incurred.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(f) Investments

Listed shares held for trading are carried at net market value. Changes in the net market value are recognised as a revenue or expense in determining the net profit for the period.

Investments in associates and joint ventures are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.

All other non-current investments are carried at the lower of cost and recoverable amount.

(g) Plant and equipment

Cost and valuation

All classes of plant and equipment are measured at cost.

Depreciation

Depreciation is provided on a straight-line basis on all plant and equipment.

Major depreciation periods are:	Jun-04	Jun-03
Plant and equipment	5-15 years	5-15 years

(h) Joint ventures

Interest in the joint venture operation is recognised by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred.

Interest in the joint venture partnership is carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.

(i) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity.

Goodwill is amortised on a straight-line basis over the period during which benefits are expected to be received. Goodwill is amortised over 20 years.

(j) Payables

Payables represent liabilities to trade and other creditors for goods and services provided to the consolidated entity, whether or not billed, and are unpaid as at the end of the financial year. The amounts are non-interest bearing and are normally settled on 30 day terms.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(k) Interest-bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

(l) Dividends

A provision for dividends is made when declared, determined or publicly recommended by the directors on or before the reporting date but not distributed at balance date.

(m) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the consolidated entity.

Any transaction costs arising on the issue of the shares are recognised directly in equity as a reduction of the proceeds received.

(n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable. The following specific recognition criteria must also be met before revenue is recognised:

Operating leases

The rental income from operating leases is recognised in accordance with the terms of the lease agreements and other constituent documents.

Investment Income

Revenue from other investment activities is recognised in accordance with the terms set out in the mortgage or loan documentation and other related agreements.

Revenue from sale of investment properties is recognised on exchange of unconditional contract of sale.

Fees

Revenue from fees is recognised in accordance with the terms and conditions of the agreements.

Interest

Control of the right to receive the interest payment.

Dividends and distributions

Control of the right to receive the dividend and distribution payment.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(o) Taxes

Company income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST receivable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

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

(p) Employee entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at amounts expected to be paid when liabilities are settled. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by the employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities, which have terms to maturity approximating the terms of the related liability, are used.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(p) Employee entitlements continued

Employee entitlements expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave, and other leave entitlements; and
- other types of employee entitlements

are recognised against profits on a net basis in their respective categories.

(q) Derivative financial instruments

Interest rate swaps

The consolidated entity enters into interest rate swap agreements that are used to convert the variable interest rate of its short-term borrowings to medium-term fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates.

It is the consolidated entity's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

(r) Leasing incentives

Lease incentives offered while property is under development are capitalised to the carrying value of the property.

Lease incentives in the form of up-front payments, contributions to certain lessees' costs, relocation costs and fitouts offered in relation to the ongoing operation of the property are recognised as an asset and amortised over the period to which the lease relates.

Incentives provided to lessees in the form of lessor-paid fitouts and improvements that remain assets of the lessor by becoming part of the structure of the property which is retained beyond the lease term, are capitalised to the carrying value of the property.

(s) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of shares on issue at the end of the year.

(t) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04 \$'000	Jun-03 \$'000	Jun-04 \$'000	Jun-03 \$'000
2. REVENUE FROM ORDINARY ACTIVITIES					
Revenues from operating activities					
Revenue from rental receipts		2,907	4,864	557	547
Interest income from investments		5,550	1,473	-	291
Fee income from investments		150	150	-	-
Revenue from sale of investment properties		29,368	38,043	-	-
Property management fees		721	128	-	-
Fund management fees		2,429	734	-	-
Fees and other income		3,020	3,719	(19)	-
Total revenues from operating activities		44,145	49,111	538	838
Revenues from non-operating activities					
Distributions from other entities		3,148	-	6,976	14,773
Bank interest		274	206	3	9
Total revenues from non-operating activities		3,422	206	6,979	14,782
Total revenues from ordinary activities		47,567	49,317	7,517	15,620
Share of net profits of joint ventures accounted for using the equity method					
Share of joint venture profits		4,291	781	1,050	-
Gains					
Net gains on disposal of investment properties		5,106	15,565	-	-

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04	Jun-03	Jun-04	Jun-03
		\$'000	\$'000	\$'000	\$'000
3. EXPENSES					
Depreciation of non-current assets					
Plant and equipment		49	41	-	-
Total depreciation of non-current assets		49	41	-	-
Amortisation of non-current assets					
Finance costs		19	8	6	5
Goodwill		1,775	1,331	-	-
Leasehold alterations		11	-	-	-
Software		16	17	-	-
Total amortisation of non-current assets		1,821	1,356	6	5
Total depreciation and amortisation expenses		1,870	1,397	6	5
Borrowing costs expensed					
Interest expense		18,336	10,963	10,048	7,806
Total borrowing costs expensed		18,336	10,963	10,048	7,806
Bad and doubtful debts		-	4	-	-
Other expenses		1,196	1,549	103	87
Expenses on sale of investment properties		1,012	540	-	-
Management fees		-	47	36	36
Audit fees		67	29	40	21
Custody fees		-	20	-	-
Merger expenses		-	393	-	393
ASX fees		-	236	-	236
Distribution costs		111	-	111	-
Rent		268	-	-	-
Other		1,596	1,109	321	127
Other expenses from ordinary activities		4,250	3,923	611	900

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04	Jun-03	Jun-04	Jun-03
		\$'000	\$'000	\$'000	\$'000
4. INCOME TAX					
The prima facie tax, using tax rates applicable in the country of operation, on profit and extraordinary items differs from the income tax provided in the financial statements as follows:					
Net profit from ordinary activities before income tax		(456)	8,969	(2,098)	6,909
Associates' net profit from ordinary activities		-	-	1,642	2,060
Company profit from ordinary activities before income tax		(456)	8,969	(456)	8,969
Prima facie tax on profit (loss) from ordinary activities		(137)	2,691	(137)	2,691
Tax effect of permanent differences					
Capital expenses		(79)	(52)	(79)	(52)
Depreciation		(45)	(26)	(45)	(26)
Amortisation of intangible assets		533	399	533	399
Non-assessable capital gain		273	(5)	273	(5)
Prior years' tax losses		-	(123)	-	(123)
Other items (net)		(352)	393	(352)	393
Income tax expense attributable to ordinary activities		193	3,277	193	3,277
Deferred tax assets and liabilities					
Current tax payable		(144)	3,212	(144)	3,212
Provision for deferred income tax - current		21	11	21	11
Future income tax benefit - non-current		206	172	206	172

Tax consolidation

Effective 1 July 2002, for purposes of income taxation, Abacus Group Holdings Limited and its 100% owned subsidiaries formed a tax consolidation group. Members of the group entered into a tax sharing agreement providing for allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date the possibility of default is remote. The head entity of the tax consolidated group is Abacus Group Holdings Limited.

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04	Jun-03	Jun-04	Jun-03
		\$'000	\$'000	\$'000	\$'000
5. DIVIDENDS PAID OR PROVIDED FOR ON SHARES					
(a) Dividends					
There were no dividends paid or payable during the year. Distributions were paid from Abacus Trust.					
(b) 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%		5,708	2,132	5,708	2,132
- franking credits that will arise from the payment of income tax payable as at the end of the financial year		-	3,212	-	3,212
		5,708	5,344	5,708	5,344
6. RECEIVABLES					
Trade debtors (i)		21,195	11,585	4,540	32
Short-term deposits (ii)		132	132	-	-
Distribution receivable		4,500	-	87	195
		25,827	11,717	4,627	227

(a) Terms and conditions

(i) Trade debtors are non-interest bearing and generally on 30 day terms.

(iii) Short-term deposits have an average maturity of 30 days and have a floating interest rate which has averaged 5.15% for the year.

7. OTHER FINANCIAL ASSETS (CURRENT)

Investments in mortgage loans - secured	(a)	18,115	5,762	-	-
Investments in mortgage loans - related parties		-	2,088	-	-
		18,115	7,850	-	-

(a) Mortgages are secured by real property assets. Repayment dates are on or before 30 June 2005.

Weighted average interest rate at 30 June 2004 was 14.57% pa (2003: 12.6%)

8. OTHER CURRENT ASSETS

Refundable deposits		-	1	-	-
Prepayments		277	201	39	29
Total other current assets		277	202	39	29

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04 \$'000	Jun-03 \$'000	Jun-04 \$'000	Jun-03 \$'000
9. PLANT AND EQUIPMENT					
Plant and equipment					
At cost		536	474	-	-
Accumulated depreciation and amortisation		(365)	(297)	-	-
Total written down amount		171	177	-	-
Reconciliations					
Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial year.					
Carrying amount at beginning		177	-	-	-
Additions		59	236	-	-
Depreciation and amortisation expense		(65)	(59)	-	-
		171	177	-	-

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

10. INVESTMENT PROPERTIES

Property	Acquisition date	Cost including all additions \$'000	Independent valuation		Consolidated value note (a)	
			date	\$'000	Jun-04 \$'000	Jun-03 \$'000
(a) Current:						
109 Pitt Street, Sydney, NSW (b)	22-Jun-99	20,921			20,921	37,013
(b) Non-Current:						
244 Liverpool Road, Ashfield, NSW (i)	26-Mar-98	2,507			2,507	2,507
252 Liverpool Road, Ashfield, NSW (i)	2-Mar-00	1,107			1,107	1,107
254 Liverpool Road, Ashfield, NSW (i)	31-Aug-01	2,662			2,662	2,662
256 Liverpool Road, Ashfield, NSW (i)	29-Sep-98	820			820	820
Project development costs		458			458	449
Property Revaluation						
- 244/256 Liverpool Rd			31-Dec-03	7,400	304	1,201
Properties owned by parent entity					7,858	8,746
Hornsby Crescent, Hornsby (c)		5,557			5,557	-
4-8 Jacobs Street, Bankstown (ii)	2-Dec-02	5,155	26-Sep-02	4,765	5,155	5,147
Properties owned by AGHL and its subsidiaries - non-current					18,570	13,893
Total investment properties					39,491	50,906

(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 2004 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 ended 30 June 2003 while the sale of the commercial units is still in progress at 30 June 2004.

(c) This reflects the 50% interest in the Hornsby joint venture, a residential project under construction. Capitalised interest at year end amounted to \$404,000, at a weighted average interest rate of 13.9% per annum.

(d) The investment properties are used as security over the bank loans (see Notes 16 and 19).

Reconciliations

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

Investment properties

Carrying amount at beginning	50,906	54,438
Additions	12,732	16,147
Net revaluation increments	(897)	2,259
Disposals	(23,250)	(21,938)
	39,491	50,906

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

INTEREST IN ASSOCIATES AND JOINT VENTURES Name	Balance Date	Ownership interest held by consolidated entity	
		Jun-04	Jun-03
		%	%
Abacus Private Equity Fund Neutral Bay	30-Jun	50	50
Abacus Rosebery Property Trust	30-Jun	50	50
The Mascot Unit Trust	30-Jun	-	50
Willoughby Development Trust	30-Jun	50	50
The Bondi Trust	30-Jun	-	50
The Mornington Investment Unit Trust	30-Jun	50	-
Pakenham Valley Unit Trust	30-Jun	50	-
The Main Street Pakenham Unit Trust	30-Jun	50	-
The Highett Apartments Unit Trust	30-Jun	50	-
Highett Plaza Unit Trust	30-Jun	50	-

(i) Principal activities

The associates and joint ventures acquire and develop commercial and residential investment properties intended for resale.

	CONSOLIDATED	
	Jun-04 \$'000	Jun-03 \$'000
<i>(ii) Share of associates' and joint ventures' profits</i>		
Share of associates' and joint ventures':		
- net profit before income tax	4,291	781
- income tax expense attributable to net profit	-	-
Share of associates' and joint ventures' net profits	4,291	781
<i>(iii) Carrying amount of investment in associates and joint ventures</i>		
Balance at the beginning of financial year	4,504	1,501
- share of joint ventures' net result	4,291	781
- investments acquired	6,572	2,222
- investments disposed	(6,589)	-
Carrying amount of investment in associates and joint ventures at the end of the financial year	8,778	4,504
<i>(iv) Share of associates' and joint ventures' assets and liabilities</i>		
Current assets	15,380	256
Non-current assets	26,259	19,593
Current liabilities	(17,400)	(223)
Non-current liabilities	(15,461)	(15,122)
Net assets	8,778	4,504

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD continued

	CONSOLIDATED	
	Jun-04 \$'000	Jun-03 \$'000
<i>(v) Retained earnings of the Company attributable to associates and joint ventures</i>		
Balance at the beginning of the financial year	782	1
Share of associates' and joint ventures' profits	(1)	781
Balance at the end of the financial year	<u>781</u>	<u>782</u>

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04 \$'000	Jun-03 \$'000	Jun-04 \$'000	Jun-03 \$'000
12. OTHER FINANCIAL ASSETS (NON-CURRENT)					
Investments in mortgage loans - secured			420		-
Investments in mortgage loans - unsecured	(a)	32,042	20,680		-
		<u>32,042</u>	<u>21,100</u>		<u>-</u>
Investments in units - unlisted		6,062	6,825	5,274	6,825
Investments in units - listed		2,568		2,568	
Investments in subsidiaries	(b)			98,050	98,959
		<u>40,672</u>	<u>27,925</u>	<u>105,892</u>	<u>105,784</u>

(a) Mortgage loans to related parties are unsecured. Repayment dates vary from 6 June 2008 to 12 February 2009 at an interest rate of 9% pa (2003: 5%).

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

12. OTHER FINANCIAL ASSETS (NON-CURRENT) continued

(b) Interests in subsidiaries

Name	% of equity interest held by the Company		Investment	
	Jun-04	Jun-03	Jun-04	Jun-03
	%	%	\$	\$
Subsidiaries of the Abacus Group Holdings Limited:				
Abacus Funds Management Limited	100	100	38,500	38,500
Abacus Financial Planning Limited	100	100	-	-
Abacus Property Income Fund	100	100	37,725	37,725
Abacus Pitt Street Property Trust	100	100	21,825	22,734
Abacus Bankstown Property Trust	100	100	-	-
Abacus Hornsby Pty Limited	100	100	-	-
			<u>98,050</u>	<u>98,959</u>

All entities are incorporated in Australia.

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04	Jun-03	Jun-04	Jun-03
		\$'000	\$'000	\$'000	\$'000
13. INTANGIBLES					
Goodwill		35,500	35,500	-	-
Accumulated amortisation		(3,106)	(1,331)	-	-
		<u>32,394</u>	<u>34,169</u>	-	-
14. OTHER NON-CURRENT ASSETS					
Deferred costs		-	45	-	31
Less accumulated amortisation		-	(27)	-	(25)
		-	<u>18</u>	-	<u>6</u>

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04 \$'000	Jun-03 \$'000	Jun-04 \$'000	Jun-03 \$'000
15. PAYABLES					
Trade creditors	15(a)	250	160	-	-
Other creditors		713	298	-	-
Goods and services tax		58	1,052	(2)	7
Accrued expenses		1,479	1,154	63	81
Intercompany payables		-	-	45,490	31,267
		<u>2,500</u>	<u>2,664</u>	<u>45,551</u>	<u>31,355</u>

(a) Trade and other creditors are non-interest bearing and are normally settled on 30 day terms.

16. INTEREST-BEARING LIABILITIES (CURRENT)					
Borrowings secured by mortgage					
- bank loans	16(a)	14,135	16,975	-	-

(a) The bank loans are provided by several banks. Interest rates include both fixed and floating arrangements. The interest rates on fixed rate borrowings had a weighted average of 6.82% at year end (2003: 6.74%), while interest on floating rate borrowings are paid quarterly based on existing swap and yield rates quoted on the day.

The bank loans are secured by a charge over investment properties as described in Note 10.

17. PROVISIONS (CURRENT)					
Employee entitlements		293	215	-	-
		<u>293</u>	<u>215</u>	-	-

18. INTEREST-BEARING LIABILITIES (NON - CURRENT)					
Borrowings secured by mortgage					
- bank loan	18(a)	3,100	3,100	-	-
- loan from Abacus Trust	18(b)	131,010	99,655	69,314	69,130
		<u>134,110</u>	<u>102,755</u>	<u>69,314</u>	<u>69,130</u>

(a) The bank loan is on a floating rate arrangement and paid quarterly based on existing swap and yield rates quoted on the day. Repayment date falls on 30 November 2005. The bank loan is secured by a charge over investment properties as described in Note 10.

(b) Loan facilities from related parties have maturity dates of not later than 30 June 2008. Interest is at 14% pa (2003: 12.3%).

19. PROVISIONS (NON-CURRENT)					
Employee entitlements		397	328	-	-

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04	Jun-03	Jun-04	Jun-03
		\$'000	\$'000	\$'000	\$'000
20. CONTRIBUTED EQUITY					
(a) Issued shares		6,662	6,662	6,662	6,662

(b) Movements in contributed equity for the year

	Jun-04		Jun-03	
	Shares on issue	Shares on issue	Shares on issue	Shares on issue
	Number	Value	Number	Value
	'000	\$'000	'000	\$'000
Beginning of the financial year	270,420	6,662	164,897	2,527
Issued during the year				
- issued on merger				
- public equity raising	-	-	26,971	599
- institutional equity raising	-	-	37,000	1,850
- dividend reinvestment plan	-	-	288	4
- purchase of 101 Pirie Street	-	-	8,264	182
- acquisition of Abacus Funds Management Limited by Abacus Group Holdings Limited	-	-	30,000	1,500
- issued to AFML in exchange for reduced management fee	-	-	3,000	-
Bought back during the year			-	-
End of the financial year	270,420	6,662	270,420	6,662

c. Terms and conditions of contributed equity

Shareholders have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of shares held.

21. RESERVES AND RETAINED EARNINGS

(a) Asset revaluation

(i) Nature and purpose of reserve

The asset revaluation reserve is used to record increments and decrements in the value of investment properties. The reserve can only be used to pay dividends in limited circumstances.

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04	Jun-03	Jun-04	Jun-03
		\$'000	\$'000	\$'000	\$'000
(ii) Movements in reserve					
Balance at beginning of year		3,460	1,201	3,460	1,201
Revaluation increments on revaluation of investment properties		(897)	3,733	(897)	3,733
Realised revaluation reserve on sale of investment properties		(910)	(1,474)	(910)	(1,474)
Balance at end of year		1,653	3,460	1,653	3,460

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04 \$'000	Jun-03 \$'000	Jun-04 \$'000	Jun-03 \$'000
21. RESERVES AND RETAINED EARNINGS					
continued					
(b) Retained earnings/(accumulated losses)					
Balance at the beginning of year		7,004	(162)	4,944	(162)
Net profit attributable to members of AGHL		(649)	5,692	(2,291)	3,632
Capital profits		910	1,474	910	1,474
Balance at end of year		7,265	7,004	3,563	4,944
22. STATEMENT OF CASH FLOWS					
(a) Reconciliation of the net profit after tax to the net cash flows from operations					
Net profit		(649)	5,692	(2,291)	3,632
Depreciation of non-current assets		49	42	6	5
Amortisation of non-current assets		1,821	1,356	-	-
Unrealised investment loss		19	-	19	-
Share of joint venture profits		-	(781)	-	-
Net gain on sale of non current assets		(5,106)	(15,565)	-	-
(Increase)/decrease in other assets		299	12,862	(6,611)	(15,016)
Increase in payables and other liabilities		13,203	12,309	6,674	11,009
Net cash flow from operating activities		9,636	15,915	(2,203)	(370)
(b) Reconciliation of cash					
Cash balance comprises:					
cash assets		961	5,646	-	87
Closing cash balance		961	5,646	-	87
(c) Financing facilities available					
At reporting date, the following financing facilities had been negotiated and were available:					
Total facilities					
- bank loans		25,213	20,075	-	-
- other		169,000	149,000	94,000	94,000
Facilities used at reporting date					
- bank loans		17,235	20,075	-	-
- other		101,862	99,655	51,374	69,130
Facilities unused at reporting date					
- bank loans		7,978	-	-	-
- other		67,138	49,345	42,626	24,870

ABACUS GROUP HOLDINGS LIMITED

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30 June 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04	Jun-03	Jun-04	Jun-03
		\$'000	\$'000	\$'000	\$'000
23. CAPITAL AND EXPENDITURE COMMITMENTS					
Joint ventures					
The consolidated entity has remaining "at call" contributions to the joint venture projects to an aggregate amount of:					
		17,956	1,660	-	910
Other persons					
Projected expenditure outlay to complete the refurbishment of the property at 109 Pitt Street, Sydney					
		1,815	7,069	-	-
24. EMPLOYEE ENTITLEMENTS					
The aggregate employee entitlement liability is comprised of:					
- provisions (current)		293	215	-	-
- provisions (non-current)		397	328	-	-
		<u>690</u>	<u>543</u>	<u>-</u>	<u>-</u>

25. EARNINGS PER SHARE

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:

	Jun-04	Jun-03
	\$'000	\$'000
Net profit	(649)	5,692
	Number of shares	
	Jun-04	Jun-03
	'000	'000
Weighted average number of shares	<u>270,420</u>	<u>243,172</u>

26. SUBSEQUENT EVENTS

On 9 August 2004 the Group has also completed an institutional placement of 27 million securities at an issue price of \$1.18 per security, raising \$31.9 million, of which the Company was allocated \$0.05 per share amounting to \$1.4 million.

Since 30 June 2004 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.

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

Notes	CONSOLIDATED		PARENT ENTITY	
	Jun-04	Jun-03	Jun-04	Jun-03
27. AUDITORS' REMUNERATION				
Amounts received or due and receivable by Ernst & Young Australia for:				
- an audit of the financial report of the entity and any other entity in the consolidated entity	67,500	28,988	39,500	20,688
	67,500	28,988	39,500	20,688

28. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Remuneration Policy

The Board of Directors 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 provided below.

(b) Details of Specified Directors and Specified Executives

(i) Specified Directors

Mr John Thame	Chairman
Dr Frank Wolf	Deputy Chairman (Executive)
Mr David Bastian	Managing Director
Mr Dennis Bluth	Director (non-executive)
Mr Phillip Green	Director (non-executive)
Mr Malcolm Irving	Director (non-executive)
Mr Len Lloyd	Executive Director

(ii) Specified Executives

J L'Estrange	General Manager – Property Finance
R Hill	Chief Financial Officer
P Strain	General Manager – Leasing and Administration
K Kitchen	General Manager – Distribution
C Bibby	General Counsel

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

28. DIRECTOR AND EXECUTIVE DISCLOSURES continued

(c) Remuneration of Specified Directors

	Salary & Fees	Cash Bonus	Superannuation	Total
J Thame				
2004	71,663	-	7,087	78,750
2003	53,618	-	5,303	58,921
F Wolf				
2004	525,000	350,000	-	875,000
2003	500,000	250,000	-	750,000
D Bastian				
2004	461,498	250,000	11,002	722,500
2003	439,481	250,000	10,519	700,000
D Bluth				
2004	33,251	-	3,289	36,540
2003	34,107	-	2,549	36,656
P Green				
2004	28,665	-	2,835	31,500
2003	21,447	-	2,121	23,568
M Irving				
2004	31,500	-	-	31,500
2003	23,568	-	-	23,568
L Lloyd				
2004	150,000	20,000	60,000	230,000
2003	151,978	25,000	-	176,978
Total Remuneration of Specified Directors				
2004	1,301,577	620,000	84,213	2,005,790
2003	1,224,199	525,000	20,492	1,769,691

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

28. DIRECTOR AND EXECUTIVE DISCLOSURES continued

(d) Remuneration of Specified Executives

	Salary & Fees	Cash Bonus	Superan- nuation	Total
J L'Estrange				-
2004	194,293	50,000	11,002	255,295
2003	185,000	50,000	10,519	245,519
R Hill				
2004	193,748	-	11,002	204,750
2003	184,481	25,000	10,519	220,000
P Strain (i)				
2004	153,435	20,000	11,002	184,437
2003	-	-	-	-
K Kitchen				
2004	146,498	25,000	11,002	182,500
2003	139,481	10,000	10,519	160,000
C Bibby				
2004	146,498	15,000	11,002	172,500
2003	129,481	10,000	10,519	150,000
Total Remuneration of Specified Executives				
2004	834,472	110,000	55,010	999,482
2003	638,443	95,000	42,076	775,519

(i) P Strain was not a specified executive in 2003.

(e) Security holdings of Specified Directors and Specified Executives and their related parties

Securities held in Abacus Property Group (number)	Balance 1 July 03	Net Change Other	Balance 30 June 04
Specified Directors			
J Thame	17,000	18,000	35,000
F Wolf	6,806,046	-	6,806,046
D Bastian	7,040,000	-	7,040,000
P Green	9,366,930	-	9,366,930
M Irving	20,000	-	20,000
Specified Executives			
R Hill	306,518	82,012	388,530
P Strain	-	10,000	10,000
K Kitchen	13,492	-	13,492
C Bibby	4,500	-	4,500
Total	<u>23,574,486</u>	<u>110,012</u>	<u>23,684,498</u>

All equity transactions with specified directors and specified executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

28. DIRECTOR AND EXECUTIVE DISCLOSURES continued

(f) 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.

During the year ended 30 June 2004 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.

(g) Director-related entity transactions

Abbott Tout was paid \$355,307 (2003: \$172,504) for legal services involving lease documentation, sales contracts and the provision of corporate advices. A partner in Abbott Tout, Mr Dennis Bluth, is a director of Abacus Funds Management Limited (AFML) and Abacus Group Holdings Limited (AGHL).

Babcock & Brown Pty Limited was paid an arrangement fee of \$50,000 (2003:\$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 AGHL.

During the year FSP Group Pty Limited (FSP) was paid \$330,282 for rental of office premises and for telephone and electricity charges. Dr Wolf, Mr Bastian and Mr Green are directors of Abacus Funds Management Limited, AGHL and FSP Group Pty Limited.

29. RELATED PARTY DISCLOSURES

Ultimate Parent

Abacus Group Holdings Limited is the ultimate parent company of all the controlled entities within the Group. Abacus Group Holdings Limited is stapled to the Abacus Trust to form the Abacus Property Group.

Wholly owned group transactions

Abacus Funds Management Limited and its subsidiary, Abacus Property Services Pty Limited, received \$2,589,223 from its parent entity and other members of the AGHL group in consulting and performance fees, and for services related to funds and property management.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

29. RELATED PARTY DISCLOSURES continued

Related party transactions

Loans made by Abacus Trust to AGHL and its subsidiaries amounted to \$131 million including interest repayable on or before 30 June 2008. Interest is charged at 14% per annum (2003: 12.3%).

In accordance with existing constitutions, management agreements and prospectuses, Abacus Funds Management Limited (Responsible Entity) and its subsidiary Abacus Property Services Pty Limited were paid performance, property and funds management fees during the year by other entities within the Group in the total amount of \$1.3 million (2003: \$3.1million).

Other related parties

Abacus Finance Pty Limited, a subsidiary of AGHL, made loans to Abacus Diversified Income Fund amounting to \$29.6 million including interest at 30 June 2004 (2003: \$22.8 million). Interest is at 9% per annum. Abacus Income Trust paid AGHL and its subsidiaries a total of \$3.08 million in fees relating to property acquisitions, project and property management, prospectus raising and other services. Abacus Funds Management Limited is the Responsible Entity of Abacus Income Trust.

Abacus Finance Pty Limited, a subsidiary of AGHL, made loans to Abacus Retail Property Trust during the year amounting to \$2.5 million including interest of \$22,000 as at 30 June 2004. Interest is at 9% per annum. Abacus Funds Management Limited is the Trustee of Abacus Retail Property Trust.

AFML received \$825,768 in asset management fees and compliance cost recoveries from various trusts where AFML is the Responsible Entity. Abacus Property Services Pty Limited received \$637,592 in property management fees and salary recoveries from the same trusts. During the year AFML received \$601,875 in management fees from joint ventures in which the Group had interests.

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

30. SEGMENT INFORMATION

Business segment

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

Business segments

	Property		Other property-based		Funds		Consolidated	
	Rental & Sales		investments		Management			
	Jun-04	Jun-03	Jun-04	Jun-03	Jun-04	Jun-03	Jun-04	Jun-03
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue:								
Revenues from customers outside the consolidated entity	32,275	42,907	13,139	2,404	6,170	4,581	51,584	49,892
Interest revenue							274	206
Total revenue							51,858	50,098
Segment results:								
Segment result	1,481	16,673	10,984	2,312	5,141	741	17,606	19,726
Interest income							274	206
Income tax							(193)	(3,277)
Borrowing costs							(18,336)	(10,963)
Total results							(649)	5,692
Segment assets	53,029	59,709	79,598	40,721	34,059	42,684	166,686	143,114
Unallocated assets							206	172
							166,892	143,286
Segment liabilities	39,932	90,643	61,990	30,569	32,278	1,724	134,200	122,936
Interest-bearing liabilities							17,234	-
Tax liabilities							(122)	3,224
							151,312	126,160
Other segment information:								
Acquisition of controlled entities	-	-	-	-	-	38,500	-	38,500
Depreciation and amortisation	30	8	-	-	1,840	1,389	1,870	1,397
Non-cash expenses other than depreciation and amortisation		4	-	-	-	-	-	4

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

30. SEGMENT INFORMATION continued

Segment accounting policies and segment location

The segment accounting policies are the same as the consolidated entity's policies described in Note 1. During the financial period, there were no changes in segment accounting policies that had a material effect on the segment information. The consolidated entity operates wholly within Australia.

31. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposures

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

Financial Instruments	Floating interest rate	Fixed interest rate maturing in:			Non-interest bearing	Total Carrying Amount	Weighted average effective interest rate
	\$'000	=<1 year	> 1 to 5 years	>5 years	\$'000	\$'000	
2004							
<i>Financial Assets</i>							
Cash at bank	961	-	-	-	-	961	5.13%
Other debtors	-	132	-	-	25,827	25,959	5.15%
Other financial assets	-	18,115	40,672	-	8,778	67,565	11.03%
	<u>961</u>	<u>18,247</u>	<u>40,672</u>	<u>-</u>	<u>34,605</u>	<u>94,485</u>	
<i>Financial Liabilities</i>							
Payables	-	-	-	-	2,521	2,521	-
Bank loans	17,235	-	-	-	-	17,235	6.76%
Interest rate swaps	(11,100)	-	11,100	-	-	-	6.71%
Other loans	-	-	131,010	-	547	131,557	14.11%
	<u>6,135</u>	<u>-</u>	<u>142,110</u>	<u>-</u>	<u>3,068</u>	<u>151,313</u>	
2003							
<i>Financial Assets</i>							
Cash at bank	5,646	-	-	-	-	5,646	3.50%
Other debtors	-	132	-	-	11,787	11,919	4.40%
Other financial assets	-	7,850	21,100	6,825	-	35,775	8.40%
	<u>5,646</u>	<u>7,982</u>	<u>21,100</u>	<u>6,825</u>	<u>11,787</u>	<u>53,340</u>	
<i>Financial Liabilities</i>							
Payables	-	-	-	-	6,430	6,430	-
Bank loans	20,075	-	-	-	-	20,075	6.36%
Interest rate swaps	(11,100)	-	11,100	-	-	-	6.74%
Other loans	-	-	99,655	-	-	99,655	14.00%
	<u>8,975</u>	<u>-</u>	<u>110,755</u>	<u>-</u>	<u>6,430</u>	<u>126,160</u>	

ABACUS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

31. FINANCIAL INSTRUMENTS continued

(b) Credit risk exposures

Credit risk represents the risk that a counterparty will fail to perform contractual obligations under a contract.

The consolidated entity's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

(c) Net fair value of financial assets and liabilities

Recognised financial instruments

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short term to maturity.

Trade receivables and trade creditors: The carrying amount approximates fair value.

Short-term borrowings: The carrying amount approximates fair value because of their short term to maturity.

Long-term bank borrowings and debentures: The fair values of long-term borrowings are estimated by discounting expected cash flows at the interest rates currently offered to the consolidated entity for debt of the same remaining maturity and security plus costs expected to be incurred were the liability settled.

Non-current investments/securities: A reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same.

All other financial assets and liabilities have been recognised at the balance date at their net fair values, except for the following:

	Total carrying amount as per the statement of financial position		Aggregate net fair value	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<i>Financial liabilities</i>				
Bank loans	17,235	20,075	17,199	20,075
Interest rate swaps	N/A	N/A	(15)	(17)

N/A Not applicable since financial instruments are not recognised in the financial statements.

Unrecognised financial instruments

Interest rate swap agreements: The net fair value of interest rate swap contracts is determined as the difference in present value of the future interest cash flows.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

32. LEASES

All the properties owned by the combined entity are leased to third parties under operating leases at 30 June 2004. Lease terms vary between tenants.

	CONSOLIDATED		PARENT ENTITY	
	Jun-04 \$'000	Jun-03 \$'000	Jun-04 \$'000	Jun-03 \$'000
Future minimum rental revenues under non-cancellable operating leases at 30 June 2004 are as follows:				
- not later than one year	1,990	7,206	403	564
- later than one year and not later than five years	3,678	15,276	299	1,002
- later than five years	2,532	12,701	-	-
Total	8,200	35,183	702	1,566

33. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Australian Accounting Standards Board (AASB) is adopting International Accounting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue AASB equivalents to IFRS and Urgent Issues Group abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. The adoption of the new standards will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Set out below are the major changes to current accounting policies that may have an impact on the financial results of the Group. The future financial effect of the changes in accounting policies is not yet known as conditions and basis of assessment are not yet known.

Investment Properties

Under AASB 140 *Investment Property*, if investment properties are measured at fair value, gains or losses arising from changes in fair value will be recognised in profit or loss for the period in which they arise. The Group intends to value its investment properties at fair value adhering to the standard.

Under the current accounting policy, when investment properties are revalued to fair value, changes in fair value are recognised in the asset revaluation reserve.

Financial Instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial assets will be classified as either held for trading, held-to-maturity, available for sale or loans and receivables. Depending on the classification, assets will be measured at fair value or amortised cost. The Group intends to value its financial instruments at fair value.

It should be noted that general provisioning for doubtful debts is not allowed under the standard. Any provision should relate to a specific loan. The application of this standard may result in a decrease in the provision currently held.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

33. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) continued

Financial Instruments continued

The Group will also be required to determine the fair value of interest swaps and recognise any change in value at balance date in the profit and loss.

Income Taxes

Under AASB 112 *Income Taxes*, deferred tax balances will be determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity will also be recognised directly in equity. The most significant impact will be the recognition of a deferred tax liability in relation to the asset revaluation reserve in Abacus Group Holdings Limited.

This will result in a change to the current accounting policy under which deferred tax balances are determined using the income statement method. Items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

ABACUS GROUP HOLDINGS LIMITED

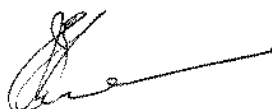
DIRECTORS' DECLARATION

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

in the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



John Thame
Chairman



David J Bastian
Managing Director

Sydney, 20 September 2004

Independent audit report to members of Abacus Group Holdings Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Abacus Group Holdings Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, 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 financial report.

Audit approach

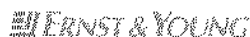
We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. 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 financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.



We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Abacus Group Holdings Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Abacus Group Holdings Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

A handwritten signature in cursive script, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, appearing to read 'Mark O'Sullivan'.

Mark O'Sullivan
Partner
Sydney
20 September 2004

ANNUAL FINANCIAL REPORT

30 JUNE 2004

Directory

Responsible Entity:

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

Directors of Responsible Entity:

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

Company Secretary:

Robert Hill

Custodian:

Perpetual Trustee Company Limited
Level 8
9 Castlereagh Street
SYDNEY NSW 2000

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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Consolidated Statement of Financial Position	7
Consolidated Statement of Cash Flows	8
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It is recommended that this Annual Financial Report should be read in conjunction with the Annual Financial Reports of Abacus Property Group and Abacus Group Holdings Limited as at 30 June 2004. It is also recommended that the report be considered together with any public pronouncements made by the Abacus Property Group in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

DIRECTORS' REPORT

30 JUNE 2004

The Directors of Abacus Funds Management Limited (Abacus), Responsible Entity of the Abacus Trust, (the "Trust") submit their report for the Trust for the year ended 30 June 2004.

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

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

TRUST INFORMATION

Abacus Trust is an Australian registered scheme. Abacus Funds Management Limited, the Responsible Entity of Abacus Trust, is incorporated and domiciled in Australia.

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

At balance date Abacus Trust had nil employees (2003: nil).

EARNINGS PER UNIT

	Year ended 30 June 2004 cents	Year ended 30 June 2003 cents
<u>Basic earnings per unit</u>	<u>13.08</u>	<u>11.56</u>

DIRECTORS' REPORT

30 JUNE 2004

DISTRIBUTIONS

Distributions were paid to unitholders as follows:

	Cents	\$'000
Interim distribution paid 12 November 2003	2.63	7,099
Interim distribution paid 12 February 2004	2.80	7,571
Interim distribution paid 12 May 2004	2.80	7,572
Final distribution paid 11 August 2004	3.00	8,117
Total	11.23	30,359

REVIEW OF OPERATIONS

Overview

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

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

Operating Results for the Period

The Trust earned a net profit of \$35.4 million in the year ended 30 June 2004 (2003: \$28.12 million). This is a 25.8% increase on the profit achieved in the year ended 30 June 2003. The full year distribution of 11.23 cents per unit reflects an increase of 6.9% on the 10.5 cents per unit paid by the Abacus Property Group in the previous year. This distribution was paid in full by the Abacus Trust.

During the year under review, the Abacus Trust sold the following investment properties:

- Central Brunswick Town Square and Convenience Centre on 28 November 2003 for \$20.3 million
- Navision House in Brisbane on 29 June 2004 for \$23.7 million

Funds released from the sale of the properties have been temporarily employed in the growth of the Group's funds management business, mortgage lending and joint venture activities.

The Abacus Mortgage Fund increased the size of its mortgage book (including interest accrued) from \$34 million at 30 June 2003 to \$46.6 million at 30 June 2004. Interest income increased from \$5.5 million in the year ended 30 June 2003 to \$7.4 million in the year ended 30 June 2004. In addition, the Abacus Trust advanced funds to Abacus Group Holdings Limited to support the growth of its funds and property management activities, where assets under management have grown to approximately \$675 million. As at 30 June 2004 the Abacus Trust had advanced \$30 million to fund the development of funds management initiatives within the Group.

DIRECTORS' REPORT

30 JUNE 2004

REVIEW OF OPERATIONS continued

Review of Financial Condition

Capital structure

No units were issued during the year under review.

The gearing ratio, calculated as a percentage of total interest bearing liabilities over total assets of the Trust was reduced to 22.1% at 30 June 2004 compared to 26.2% at 30 June 2003.

Existing loan facilities total approximately \$100.9 million, of which \$84 million was drawn as at 30 June 2004. The Trust manages interest rate exposure on debt facilities through the use of interest rate swap contracts. At year end, approximately \$82.8 million or 98.5% of interest commitments were hedged.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- Total equity increased by \$13.7 million, from \$273.5 million in the year ended 30 June 2003 to \$287.2 million in the year ended 30 June 2004.
- Properties at Central Brunswick, Fortitude Valley, Brisbane and Navision House at 10 Market Street, Brisbane were sold for a total of \$44.0 million.
- Revaluations of properties during the year resulted in a net increase (after adjustment for sales) of \$13.7 million.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Since balance date, the Trust has settled the acquisition of the Liverpool Plaza Shopping Centre in Sydney's west for \$29.8 million on 16 August 2004 and has exchanged contracts to acquire a 50% interest in Santos House, a commercial office tower in Adelaide, for \$51 million. Funding for these acquisitions is being provided through the Trust's cash and drawings on its loan facilities.

Abacus Property Group has also completed an institutional placement of 27 million securities at an issue price of \$1.18 per security, raising \$31.9 million of which \$30.5 million was received by the Abacus Trust. These securities, allotted on 9 August 2004, will ensure that the level of gearing following settlement of the Liverpool Plaza and Santos House acquisitions will leave the Trust with the capacity to pursue further property acquisitions as opportunities arise.

There have been no other significant events 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.

DIRECTORS' REPORT

30 JUNE 2004

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.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Responsible Entity, 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.

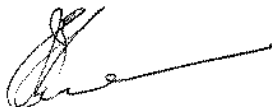
OTHER DISCLOSURES

Disclosures regarding information on directors are detailed in the Directors' Report of the Abacus Property Group.

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)



John Thame
Chairman



David J Bastian
Managing Director

Sydney, 20 September 2004

CONSOLIDATED STATEMENTS OF FINANCIAL PERFORMANCE AND DISTRIBUTION

YEAR ENDED 30 JUNE 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04 \$'000	Jun-03 \$'000	Jun-04 \$'000	Jun-03 \$'000
STATEMENT OF FINANCIAL PERFORMANCE					
REVENUES FROM ORDINARY ACTIVITIES	2	89,510	102,141	66,663	40,060
Depreciation and amortisation expenses	3	(144)	(263)	(68)	(263)
Carrying amount of investment properties disposed		(41,497)	(57,950)	(21,495)	-
Borrowing costs expense	3	(7,077)	(9,357)	(7,077)	(9,357)
Bad and doubtful debts	3	(449)	(267)	(35)	(17)
Other expenses from ordinary activities	3	(4,969)	(6,189)	(2,614)	(2,308)
NET PROFIT ATTRIBUTABLE TO UNITHOLDERS OF ABACUS TRUST		35,374	28,115	35,374	28,115
Net increase in asset revaluation reserve		13,743	7,058	-	7,058
TOTAL REVENUES, EXPENSES, AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO UNITHOLDERS AND RECOGNISED DIRECTLY IN UNITHOLDERS' FUNDS		13,743	7,058	-	7,058
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH UNITHOLDERS AS OWNERS		49,117	35,173	35,374	35,173
Basic and diluted earnings per unit (cents)		13.08	11.56	13.08	11.56
STATEMENT OF DISTRIBUTION					
Net operating profit from ordinary activities		35,374	28,115	35,374	28,115
Net transfer of undistributed income (to)/from unitholders' funds		(5,015)	(2,215)	(5,015)	(2,215)
Distributions paid and payable	4	30,359	25,900	30,359	25,900
Distribution per unit (cents per unit)		11.23	10.50	11.23	10.50

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04 \$'000	Jun-03 \$'000	Jun-04 \$'000	Jun-03 \$'000
CURRENT ASSETS					
Cash assets	18	23,407	23,520	23,402	23,514
Receivables	5	2,561	15,676	111,060	110,180
Other financial assets	6	39,637	23,287	-	-
Other	7	785	834	359	431
TOTAL CURRENT ASSETS		66,390	63,317	134,821	134,125
NON - CURRENT ASSETS					
Investment properties	8	180,035	210,988	8,094	40,772
Other financial assets	9	133,752	96,261	236,873	194,870
TOTAL NON-CURRENT ASSETS		313,787	307,249	244,967	235,642
TOTAL ASSETS		380,177	370,566	379,788	369,767
CURRENT LIABILITIES					
Payables	10	896	1,612	507	813
Interest bearing liabilities	11	84,000	24,000	84,000	24,000
Provisions	12	8,117	7,099	8,117	7,099
TOTAL CURRENT LIABILITIES		93,013	32,711	92,624	31,912
NON-CURRENT LIABILITIES					
Interest bearing liabilities	13	-	64,400	-	64,400
TOTAL NON-CURRENT LIABILITIES		-	64,400	-	64,400
TOTAL LIABILITIES		93,013	97,111	92,624	96,312
NET ASSETS		287,164	273,455	287,164	273,455
UNITHOLDERS' FUNDS					
Contributed equity	14	259,672	259,672	259,672	259,672
Asset revaluation reserve	15(a)	24,745	11,002	24,745	11,002
Retained earnings	15(b)	2,747	2,781	2,747	2,781
TOTAL UNITHOLDERS' FUNDS		287,164	273,455	287,164	273,455

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04 \$'000	Jun-03 \$'000	Jun-04 \$'000	Jun-03 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Income receipts		14,978	19,930	19,679	16,941
Interest received		6,183	7,000	533	745
Audit fees paid		(39)	(39)	(39)	(37)
Responsible entity fees paid		(987)	(1,230)	(987)	(1,230)
Custody fees paid		(54)	(63)	(54)	(62)
Borrowing costs		(7,084)	(9,053)	(7,084)	(9,198)
Operating payments		(265)	(776)	(116)	(3,003)
NET CASH FLOWS FROM OPERATING ACTIVITIES	18(a)	12,732	15,769	11,932	4,156
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for investments		(175,690)	(59,319)	(136,965)	(32,723)
Proceeds from settlement of investments		155,190	21,897	125,176	-
Purchase of controlled entities		-	517	-	-
Intercompany payments		-	-	11,297	-
Purchase of investment properties		(1,032)	(1,898)	(540)	43
Disposal of investment properties		42,428	60,820	22,729	60,820
NET CASH FLOWS FROM INVESTING ACTIVITIES		20,896	22,017	21,697	28,140
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of units		-	64,837	-	65,019
Payment of establishment fees		-	(3,580)	-	(3,580)
Repayments of borrowings		(37,000)	(55,401)	(37,000)	(50,225)
Proceeds from borrowings		32,600	-	32,600	-
Distributions paid		(29,341)	(22,785)	(29,341)	(22,654)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(33,741)	(16,929)	(33,741)	(11,440)
NET INCREASE/(DECREASE) IN CASH HELD		(113)	20,857	(112)	20,856
Add opening cash brought forward		23,520	2,663	23,514	2,658
CLOSING CASH CARRIED FORWARD	18(b)	23,407	23,520	23,402	23,514

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 including 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.

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

(b) 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 entity 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 entity 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 entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-entity 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.

(c) Provision for distribution

A provision for distribution is recognised in the Statement of Financial Position if the provision has been declared, determined or publicly recommended prior to balance date. The Abacus Trust's Constitution requires the Trust's distributable profit to be distributed to unitholders in full. As a liability for distribution arises upon the derivation of profit by the Trust, a provision for distribution has been recognised at balance date.

(d) Cash and cash equivalents

Cash on hand and in banks are stated at nominal value.

For the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**(e) Receivables**

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

Bills of exchange and promissory notes are measured at the lower of cost and net realisable value.

(f) Investment Properties*Cost and valuation*

Land and buildings are considered to have the function of an investment and are therefore regarded as a composite asset. Accounting Standard AASB 1021 "Depreciation" does not require investment properties to be depreciated. Accordingly, the buildings and components thereof (including plant and equipment) are not depreciated. However, investment properties are depreciated for tax purposes prior to the distribution of any taxable income to unitholders.

Investment properties are carried at fair value. Independent valuations of investment properties are obtained at intervals of not more than three years from suitably qualified property valuers. Such valuations are reflected in the financial statements of the Trust. Notwithstanding, the directors of the Responsible Entity assess the carrying value of each investment property at each reporting date to ensure its carrying value does not materially differ from its fair value. Where necessary, the investment property is revalued to reflect its fair value being the amounts which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction at the valuation date.

A revaluation increment is credited directly to the asset revaluation reserve, unless it reverses a previous revaluation decrement charged as an expense in determining operating profit in respect of that same class of asset, in which case the increment is credited to operating profit.

When assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount because the Trust does not expect to be ultimately liable for CGT in respect of the assets.

Expenditure capitalised to properties includes the cost of acquisition, capital and refurbishment additions, and during development includes financing charges and related professional fees incurred.

(g) Investments

All non-current investments are carried at the lower of cost and recoverable amount.

(h) Payables

Payables represent liabilities to trade and other creditors for goods and services provided to the consolidated entity, whether or not billed, and are unpaid as at the end of the financial year. The amounts are non-interest bearing and are normally settled on 30 day terms.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(i) Interest-bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

(j) Unitholders' Funds

Unitholders' funds are recognised at the fair value of the consideration received by the consolidated entity.

Any transaction costs arising on the issue of the units are recognised directly in unitholders' funds as a reduction of the proceeds received.

(k) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Operating leases

The rental income from operating leases is recognised in accordance with the terms of the lease agreements and other constituent documents.

Investment Income

Revenue from other investment activities is recognised in accordance with the terms set out in the mortgage or loan documentation.

Interest

Control of the right to receive the interest payment.

Distributions

Control of the right to receive the distribution payment.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**(l) Leasing Fees**

Costs that are directly associated with negotiating and executing the ongoing renewal of tenant lease agreements (including commissions, legal fees and costs of preparing and processing documentation for new leases) are deferred and amortised over the lease term in proportion to the rental revenue recognised in each financial year.

(m) Leasing Incentives

Lease incentives in the form of up-front payments, contributions to certain lessees' costs, relocation costs and fitouts that are offered in relation to the ongoing operation of the property are recognised as an asset and amortised over the period to which the lease relates.

Incentives provided to lessees in the form of lessor-paid fitouts and improvements that remain assets of the lessor, for example by becoming part of the structure of the property which is retained beyond the lease term, are capitalised to the carrying value of the property.

(n) Taxes*Income taxes*

Under current income tax legislation a trust is not subject to income tax if the taxable income is distributable in full to unitholders. It is the policy of the Trust to ensure that unitholders are personally entitled to all taxable income.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST receivable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(o) Derivative financial instruments

Interest rate swaps

The consolidated entity enters into interest rate swap agreements that are used to convert the variable interest rate of its short-term borrowings to medium-term fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates.

It is the consolidated entity's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

(p) Earnings per unit

Basic EPU is calculated as net profit attributable to unitholders, adjusted to exclude costs of servicing equity (other than distributions), divided by the weighted average number of units on issue at year end.

(q) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04 \$'000	Jun-03 \$'000	Jun-04 \$'000	Jun-03 \$'000
2. REVENUE FROM ORDINARY ACTIVITIES					
Revenues from operating activities					
Revenue from rental receipts		19,940	25,174	3,405	5,299
Interest income from investments		24,601	15,094	17,254	9,640
Fee income from investments		486	308	-	6
Revenue from sale of investment properties		43,950	60,820	23,700	-
Total revenues from operating activities		88,977	101,396	44,359	14,945
Revenues from non-operating activities					
Distributions from other entities		-	-	21,771	24,370
Bank interest		533	745	533	745
Total revenues from non-operating activities		533	745	22,304	25,115
Total revenues from ordinary activities		89,510	102,141	66,663	40,060
Gains					
Net gains on disposal of investment properties		1,893	-	-	-
3. EXPENSES					
Amortisation of non-current assets					
Leasehold alterations		144	-	68	-
Goodwill		-	263	-	263
Total amortisation of non-current assets		144	263	68	263
Borrowing costs expensed					
Interest expense		7,077	9,357	7,077	9,357
Total borrowing costs expensed		7,077	9,357	7,077	9,357
Bad and doubtful debts		449	267	35	17
Other expenses					
Property outgoing		3,213	3,121	1,203	254
Expenses on sales of investment properties		561	911	216	-
Performance fees		-	3	-	-
Audit fees		40	44	40	44
Manager's fees		987	1,231	987	1,231
Custody fees		52	58	52	58
Other		116	821	116	721
Other expenses from ordinary activities		4,969	6,189	2,614	2,308

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04 \$'000	Jun-03 \$'000	Jun-04 \$'000	Jun-03 \$'000
4. DISTRIBUTIONS PAID OR PROVIDED FOR ON UNITS					
(a) Distributions proposed and recognised as a liability					
Distribution (3.00c per unit) (2003: 2.63c)		8,117	7,099	8,117	7,099
(b) Distributions paid during the year					
<i>(i) Current year interim</i>					
Distribution (8.23c per unit) (2003: 7.88c)		22,242	18,801	22,242	18,801
		30,359	25,900	30,359	25,900
<i>(ii) Previous year final</i>					
Distribution (2.63c per unit) (2003: 2.63c)		7,099	4,143	7,099	4,143
5. RECEIVABLES					
Trade debtors (i)		2,438	14,099	2,245	10,049
Short-term deposits		-	1,430	-	1,430
Other debtors (i)		123	147	121	34
Inter-trust receivables		-	-	108,694	98,667
		2,561	15,676	111,060	110,180

(a) Terms and conditions

Terms and conditions relating to the above financial instruments:

(i) Trade and other debtors are non-interest bearing and generally on 30 day terms.

6. OTHER FINANCIAL ASSETS (CURRENT)

Investments in mortgage loans - secured	(a)	39,637	23,287	-	-
		39,637	23,287	-	-

(a) Mortgages are secured by real property assets. Repayment dates are on or before 30 June 2005.

Weighted average interest rate at 30 June 2004 was 17.8% pa (2003: 14.89%).

7. OTHER CURRENT ASSETS

Prepaid expenses		785	834	359	431
Total other current assets		785	834	359	431

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

8. INVESTMENT PROPERTIES

Property	Acquisition date	Cost including additions \$'000	Independent valuation		Consolidated value (note a)	
			date	\$'000	Jun-04 \$'000	Jun-03 \$'000
10 Market Street, Brisbane, QLD (i)	22-Apr-02	20,065	31-Jan-02	18,700	-	20,059
66 Christina Road, Villawood, NSW (ii)	28-May-02	8,094	31-Jan-02	7,500	8,094	8,028
Properties owned by the parent entity, Abacus Trust					8,094	28,087
Central Brunswick, Fortitude Valley, QLD	27-Feb-98	-	-	-	-	20,000
4 Ray Road, Epping, NSW (iii)	30-Apr-97	27,184	1-Dec-03	40,000	40,339	35,242
431 Glebe Point Road, Glebe, NSW (iv)	23-Sep-97	10,561	31-Dec-03	12,500	12,538	11,074
Ashfield Mall, Ashfield, NSW (v)	15-Sep-97	69,716	30-Jun-03	89,000	89,055	89,000
10-12 Pike Street, Rydalmere, NSW (v)	1-Oct-98	14,271	31-Dec-03	16,000	16,009	14,900
CSIRO, Limestone Ave., Campbell, ACT (v)	21-Jun-02	12,685	31-Dec-03	14,000	14,000	12,685
Properties owned by Abacus Trust and its controlled entities					180,035	210,988

(i) As valued by Landmark White Pty Limited

(ii) As valued by Knight Frank Pty Limited

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

(iv) As valued by Urbis Property Consultants

(v) As valued by FPD Savills (NSW) Pty Limited

Notes:

(a) The consolidated value at 30 June 2004 includes capital expenditure after the last valuation date.

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

Reconciliations

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

	Consolidated value	
	Jun-04 \$'000	Jun-03 \$'000
<i>Investment properties</i>		
Carrying amount at beginning	210,988	246,416
Additions	1,850	15,464
Net revaluation increments	8,694	7,058
Disposals	(41,497)	(57,950)
	180,035	210,988

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04	Jun-03	Jun-04	Jun-03
		\$'000	\$'000	\$'000	\$'000
9. OTHER FINANCIAL ASSETS (NON-CURRENT)					
Investments in mortgage loans - secured	(a)	135,619	97,761	128,698	90,072
Provision for doubtful debts		(1,867)	(1,500)	-	-
Net investment in mortgage loans		133,752	96,261	128,698	90,072
Interests in subsidiaries	(b)	-	-	108,175	104,798
		<u>133,752</u>	<u>96,261</u>	<u>236,873</u>	<u>194,870</u>

(a) Investments in mortgage loans - secured

The mortgages are secured by real property assets. Repayment dates fall between 4 November 2005 and 30 June 2008. Weighted average interest rate at 30 June 2004 was 14% pa (2003:14.89%).

(b) Interests in subsidiaries

Name	% of equity interest			
	held by the Trust		Investment	
	Jun-04	Jun-03	Jun-04	Jun-03
	%	%	\$	\$
Subsidiaries of the Abacus Trust:				
Abacus Central Brunswick Property Trust	100	100	-	5,318
Abacus Glebe Property Trust	100	100	7,083	5,684
Abacus Epping Park Property Trust	100	100	25,663	20,782
Abacus Ashfield Mall Property Trust	100	100	48,962	48,962
Abacus Industrial Property Trust	100	100	7,902	6,802
Abacus Campbell Property Trust	100	100	1,315	-
Abacus Mortgage Fund	100	100	17,250	17,250
			<u>108,175</u>	<u>104,798</u>

All subsidiaries are incorporated in Australia.

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04	Jun-03	Jun-04	Jun-03
		\$'000	\$'000	\$'000	\$'000
10. PAYABLES					
Other creditors	10(a)	337	708	327	297
Goods and services tax		185	241	(98)	(6)
Accrued expenses		374	663	278	522
		<u>896</u>	<u>1,612</u>	<u>507</u>	<u>813</u>

(a) Trade and other creditors are non-interest bearing and are normally settled on 30 day terms.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04	Jun-03	Jun-04	Jun-03
		\$'000	\$'000	\$'000	\$'000
11. INTEREST-BEARING LIABILITIES (CURRENT)					
Borrowings secured by mortgage					
- bank loans	11(a)	84,000	24,000	84,000	24,000

(a) The bank loans are provided by several banks. Interests are on floating rates and are paid quarterly based on existing swap and yield rates quoted on the day. The total loan facility existing at year end was \$100.9 million the unused portion of which was \$16.9 million as at 30 June 2004.

12. PROVISIONS (CURRENT)

Distribution to unitholders		8,117	7,099	8,117	7,099
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13. INTEREST-BEARING LIABILITIES (NON - CURRENT)

Borrowings secured by mortgage					
- bank loans		-	64,400	-	64,400

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04	Jun-03	Jun-04	Jun-03
		\$'000	\$'000	\$'000	\$'000
14. UNITHOLDERS' FUNDS					
(a) Issued units					
Issued units		265,993	265,993	265,993	265,993
Issue and finance costs		(6,321)	(6,321)	(6,321)	(6,321)
		259,672	259,672	259,672	259,672

(b) Movements in contributed equity for the year

	Jun-04		Jun-03	
	Units on issue		Units on issue	
	Number	Value	Number	Value
	'000	\$'000	'000	\$'000
Beginning of the financial year	270,420	259,672	164,897	158,313
Issued during the year				
- issued on merger	-	-	-	-
- public equity raising	-	-	26,971	27,673
- institutional equity raising	-	-	37,000	38,850
- dividend reinvestment plan	-	-	288	288
- purchase of 101 Pirie Street	-	-	8,264	8,128
- acquisition of Abacus Funds Management Limited by Abacus Group Holdings Limited	-	-	30,000	30,000
- issued to AFML in exchange for reduced management fee	-	-	3,000	-
- less transaction costs	-	-	-	(3,580)
End of the financial year	270,420	259,672	270,420	259,672

c. Terms and conditions of contributed equity

Unitholders have the right to receive distributions as declared and, in the event of winding up of the consolidated entity, to participate in the proceeds from sale of all surplus assets in proportion to the number of units held.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04	Jun-03	Jun-04	Jun-03
		\$'000	\$'000	\$'000	\$'000

15. RESERVES AND RETAINED EARNINGS

(a) Asset revaluation

(i) Nature and purpose of reserve

The asset revaluation reserve is used to record increments and decrements in the value of investment properties. The reserve can only be used to pay dividends in limited circumstances.

(ii) Movements in reserve

Balance at beginning of year	11,002	3,944	11,002	3,944
Revaluation increments on revaluation of investment properties	8,694	7,624	8,694	7,624
Realised revaluation reserve on sale of investment properties	5,049	(566)	5,049	(566)
Balance at end of year	24,745	11,002	24,745	11,002

(b) Retained earnings

Balance at the beginning of year	2,781	-	2,781	-
Net profit attributable to unitholders	35,374	28,115	35,374	28,115
Revaluation reserve realised	(5,049)	566	(5,049)	566
Total available for appropriation	33,106	28,681	33,106	28,681
Distributions provided for or paid	(30,359)	(25,900)	(30,359)	(25,900)
Balance at end of year	2,747	2,781	2,747	2,781

16. CAPITAL AND EXPENDITURE COMMITMENTS

At 30 June 2004 the consolidated entity had outstanding commitments to purchase Liverpool Plaza in Sydney's west for \$29.8 million and a 50% interest in the Santos Building in Adelaide for \$51 million.

17. EARNINGS PER UNIT

The following reflects the income and unit data used in the calculation of basic and diluted earnings per unit:

	Jun-04	Jun-03
	\$'000	\$'000
Net profit	35,374	28,115
	Number of shares	
	Jun-04	Jun-03
	'000	'000
Weighted average number of units	270,420	243,172

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

	Notes	CONSOLIDATED		PARENT ENTITY	
		Jun-04 \$'000	Jun-03 \$'000	Jun-04 \$'000	Jun-03 \$'000
18. STATEMENT OF CASH FLOWS					
(a) Reconciliation of the net profit after tax to the net cash flows from operations					
Net profit		35,374	28,115	35,374	28,115
Amortisation of non-current assets		144	263	68	-
Provision for doubtful debts		449	-	35	-
Net gain on sale of non current assets		(1,892)	(1,960)	(1,989)	(1,960)
Increase in other assets		(20,627)	(9,203)	(21,250)	(21,265)
Decrease in payables		(716)	(1,446)	(306)	(734)
Net cash flow from operating activities		12,732	15,769	11,932	4,156
(b) Reconciliation of cash					
Cash balance comprises:					
cash assets		23,407	23,520	23,402	23,514
Closing cash balance		23,407	23,520	23,402	23,514
(c) Financing facilities available					
At reporting date, the following financing facilities had been negotiated and were available:					
Total facilities					
- bank loans		100,900	107,400	100,900	107,400
Facilities used at reporting date					
- bank loans		(84,000)	(88,400)	(84,000)	(88,400)
Facilities unused at reporting date					
- bank loans		16,900	19,000	16,900	19,000
19. AUDITORS' REMUNERATION					
Amounts received or due and receivable by Ernst & Young Australia for:					
- an audit of the financial report of the entity and any other entity in the consolidated entity		39,900	43,971	39,900	43,971
- other services in relation to the entity and any other entity in the consolidated entity		-	23,100	-	23,100
		39,900	67,071	39,900	67,071

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

20. RELATED PARTY DISCLOSURES

Ultimate Parent

Abacus Trust is the ultimate parent of all the controlled entities within the consolidated entity. Abacus Trust is stapled to the Abacus Group Holdings Limited to form the Abacus Property Group.

Responsible Entity

Abacus Funds Management Limited was the Responsible Entity for the year ended 30 June 2004.

Directors

The directors of the Responsible Entity, Abacus Funds Management Limited, in office during and since the end of the financial period were:

Mr John Thame (Chairman)
Dr Frank Wolf (Deputy Chairman, Executive)
Mr David Bastian (Managing Director)
Mr Dennis Bluth
Mr Phillip Green
Mr Malcolm Irving

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.

During the year ended 30 June 2004 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 \$23,825 (2003: \$323,927) for legal services relating to lease documentations. A partner in Abbott Tout, Mr Dennis Bluth, is a director of Abacus Group Holdings Limited and Abacus Funds Management Limited.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

20. RELATED PARTY DISCLOSURES continued

Equity instruments of directors and their director-related entities
Interests at balance date

	Stapled securities Fully paid	
	Jun-04 Number	Jun-03 Number
J Thame	35,000	17,000
F Wolf	6,806,046	6,806,046
D Bastian	7,040,000	7,040,000
P Green	9,366,930	9,366,930
M Irving	20,000	20,000
	<u>23,267,976</u>	<u>23,249,976</u>

Related party transactions

Loans made by Abacus Trust to Abacus Group Holdings Limited and its subsidiaries amounted to \$131 million including interest, repayable on or before 30 June 2008. Interest is at 14% per annum (2003: 12.3%).

In accordance with existing constitutions, management agreements and prospectuses, Abacus Funds Management Limited (Responsible Entity) and its subsidiary Abacus Property Services Pty Limited were paid performance, property and funds management fees during the year by the consolidated entity in the total amount of \$1.3 million (2003: \$3.1million).

Other related party transactions

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

Custodian

The Custodian of the Trust is Perpetual Trustee Company Limited. The Custodian is entitled to a fee equal to 0.015% of the gross asset value of the Trust subject to a minimum fee of \$40,000 per annum.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

21. SEGMENT INFORMATION

Business segments

The consolidated entity operates within two business segments within the property industry, being property rental and sales and other property-related investments. The property rental and sales operations comprise the sales, leasing, and maintenance of commercial, retail and industrial properties. The other property-related investments comprise mortgage lending activities. Revenue is derived from property rental, interest, fees and property sales.

	Property Rental & Sales		Other property- related investments		Consolidated	
	Jun-04	Jun-03	Jun-04	Jun-03	Jun-04	Jun-03
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue:						
Revenues from customers outside the consolidated entity	63,890	85,994	25,087	15,402	88,977	101,396
Interest revenue					533	745
Total revenue					89,510	102,141
Segment results:						
Segment result	17,831	22,513	24,087	14,214	41,918	36,727
Interest income					533	745
Borrowing costs					(7,077)	(9,357)
Total results					35,374	28,115
Segment assets						
Segment assets	206,785	238,449	173,392	132,117	380,177	370,566
Segment liabilities						
Segment liabilities	882	1,262	14	350	896	1,612
Interest-bearing loans					84,000	88,400
Unallocated liabilities					8,117	7,099
Total liabilities					93,013	97,111
Other segment information:						
Acquisition of controlled entities	-	8,310	-	-	-	8,310
Depreciation and amortisation	144	263	-	-	144	263
Non-cash expenses other than depreciation and amortisation	82	267	367	-	449	267

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

21. SEGMENT INFORMATION continued

Segment accounting policies

The segment accounting policies are the same as the consolidated entity's policies described in Note 1. During the financial period, there were no changes in segment accounting policies that had a material effect on the segment information.

Segment location

The consolidated entity operates wholly within Australia.

22. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposures

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

Financial Instruments	Floating interest rate \$'000	Fixed interest rate maturing in:			Non- interest bearing \$'000	Total Carrying Amount \$'000	Weighted average effective interest rate
		=<1 year \$'000	> 1 to 5 years \$'000	>5 years \$'000			
2004							
<i>Financial Assets</i>							
Cash at bank	23,407	-	-	-	-	23,407	5.13%
Receivables	-	-	-	-	2,561	2,561	-
Other financial assets	-	39,637	135,619	-	-	175,256	12.41%
	<u>23,407</u>	<u>39,637</u>	<u>135,619</u>	<u>-</u>	<u>2,561</u>	<u>201,224</u>	
<i>Financial Liabilities</i>							
Payables	-	-	-	-	896	896	-
Bank loans	84,000	-	-	-	-	84,000	7.48%
Interest rate swaps	(82,750)	-	82,750	-	-	-	7.49%
Distribution payable	-	-	-	-	8,117	8,117	-
	<u>1,250</u>	<u>-</u>	<u>82,750</u>	<u>-</u>	<u>9,013</u>	<u>93,013</u>	

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

22. FINANCIAL INSTRUMENTS continued

Financial Instruments	Floating interest rate \$'000	Fixed interest rate maturing in:			Non- interest bearing \$'000	Total Carrying Amount \$'000	Weighted average effective interest rate
		=<1 year \$'000	> 1 to 5 years \$'000	>5 years \$'000			
2003							
<i>Financial Assets</i>							
Cash at bank	23,520	-	-	-	-	23,520	4.50%
Other debtors	-	1,430	-	-	15,080	16,510	4.54%
Other financial assets	-	23,287	97,761	-	-	121,048	14.89%
	<u>23,520</u>	<u>24,717</u>	<u>97,761</u>	<u>-</u>	<u>15,080</u>	<u>161,078</u>	
<i>Financial Liabilities</i>							
Payables	-	-	-	-	1,612	1,612	-
Bank loans	88,400	-	-	-	-	88,400	7.40%
Interest rate swaps	(77,750)	-	77,750	-	-	-	7.50%
Distribution payable	-	-	-	-	7,099	7,099	-
	<u>10,650</u>	<u>-</u>	<u>77,750</u>	<u>-</u>	<u>8,711</u>	<u>97,111</u>	

(b) Credit risk exposures

Credit risk represents the risk that a counterparty will fail to perform contractual obligations under a contract.

The consolidated entity's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

(c) Net fair value of financial assets and liabilities

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short term to maturity.

Trade receivables and trade creditors: The carrying amount approximates fair value.

Short-term borrowings: The carrying amount approximates fair value because of their short term to maturity.

Long-term bank borrowings and debentures: The fair values of long-term borrowings are estimated by discounting expected cash flows at the interest rates currently offered to the consolidated entity for debt of the same remaining maturity and security plus costs expected to be incurred were the liability settled.

Non-current investments/securities: A reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

22. FINANCIAL INSTRUMENTS continued

(c) Net fair value of financial assets and liabilities continued

All other financial assets and liabilities have been recognised at the balance date at their net fair values, except for the following:

	Total carrying amount as per the statement of financial position		Aggregate net fair value	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
<i>Financial liabilities</i>				
Bank loans	84,000	88,400	83,939	88,316
Interest rate swaps	N/A	N/A	(669)	(1,958)

N/A Not applicable since financial instruments are not recognised in the financial statements.

Unrecognised financial instruments

Interest rate swap agreements: The net fair value of interest rate swap contracts is determined as the difference in present value of the future interest cash flows.

23. SUBSEQUENT EVENTS

Since balance date the Group has settled the acquisition of the Liverpool Plaza Shopping Centre in Sydney's west for \$29.8 million on 16 August 2004 and has exchanged contracts to acquire a 50% interest in Santos House, a commercial office tower in Adelaide, for \$51 million. Funding for these acquisitions is being provided through the Group's cash and drawings on its loan facilities.

The Group has also completed an institutional placement of 27 million securities at an issue price of \$1.18 per security, raising \$31.9 million of which \$1.13 is allocated per unit in the Abacus Trust and \$0.05 per share in Abacus Group Holdings Limited. These securities, allotted on 9 August 2004, will ensure that the level of gearing following settlement of the Liverpool Plaza and Santos House acquisitions will leave the Group with the capacity to pursue further property acquisitions as opportunities arise.

Since 30 June 2004 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 combined entity.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

24. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Australian Accounting Standards Board (AASB) is adopting International Accounting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue AASB equivalents to IFRS and Urgent Issues Group abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. The adoption of the new standards will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Set out below are the major changes to current accounting policies that may have an impact on the financial results of the Trust. The future financial effect of the changes in accounting policies is not yet known as conditions and basis of assessment are not yet known.

Investment Properties

Under AASB 140 *Investment Property*, if investment properties are measured at fair value, gains or losses arising from changes in fair value will be recognised in profit or loss for the period in which they arise. The Group intends to value its investment properties at fair value adhering to the standard.

Under the current accounting policy, when investment properties are revalued to fair value, changes in fair value are recognised in the asset revaluation reserve.

Financial Instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial assets will be classified as either held for trading, held-to-maturity, available for sale or loans and receivables. Depending on the classification, assets will be measured at fair value or amortised cost. The Trust intends to value its financial instruments at fair value.

It should be noted that general provisioning for doubtful debts is not allowed under the standard. Any provision should relate to a specific loan. The application of this standard may result in a decrease in the provision currently held.

The Trust will also be required to determine the fair value of interest swaps and recognise any change in value at balance date in the profit and loss.

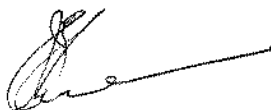
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of the Responsible Entity, Abacus Funds Management Limited, we state that:

in the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



John Thame
Chairman



David J Bastian
Managing Director

Sydney, 20 September 2004

Independent audit report to unitholders of Abacus Trust

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Abacus Trust (the Trust) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the Trust and the entities it controlled during that year.

The directors of Abacus Funds Management Limited, the Responsible Entity of the Trust, are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Trust and the consolidated entity, and that complies with Accounting Standards in Australia, 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 financial report.

Audit approach

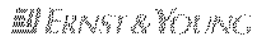
We conducted an independent audit of the financial report in order to express an opinion on it to the unitholders of the Trust. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. 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 financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.



We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the Responsible Entity.

Independence

We are independent of the Trust, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Abacus Trust is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Abacus Trust and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Mark O'Sullivan

Partner

Sydney

20 September 2004

Corporate Governance Report

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.

Relevant information is available through a dedicated corporate governance information section on the Group's website at www.abacusproperty.com.au under 'About Abacus'.

Principle 1: Solid foundations for management and oversight

During the year, the board 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:

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

A copy of the board's charter has been posted to the Abacus Property Group website.

Principle 2: Board structure

Name				Appointment date	
				AFML	AGHL
John Thame	chairman	non-executive	independent	11/09/02	11/09/02
Dennis Bluth		non-executive		26/09/96	09/09/02
Phil Green		non-executive		25/05/00	12/09/02
Malcolm Irving		non-executive	independent	12/09/02	12/09/02
Frank Wolf	deputy chairman	executive		13/12/90	04/12/97
David Bastian	managing director	executive		02/05/95	04/12/97
Len Lloyd		executive		-	29/05/02

Mr Lloyd is a director of Abacus Group Holdings Limited only.

Details of the experience of each director are set out earlier in this Annual Report.

An independent director is one who is not:

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

Abacus acknowledges the importance of having independent directors as determined by objective criteria. However, given the nature of the Group's business and current stage of the Group's development, the current structure of the board provides the necessary skills and experience to ensure it has a proper understanding of, and competence to deal with, the current and emerging issues of the business to optimise the financial performance of Abacus and returns to security-holders.

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

The Group's nomination and remuneration committee is responsible to ensure the board maintains an appropriate size and composition to effectively discharge its responsibilities and duties. Membership of the committee comprises three external directors:

John Thame (chairman)	independent
Malcolm Irving	independent
Dennis Bluth	

There was one meeting of the nomination and remuneration committee with all members attending.

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

Principle 3: 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 client 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.

During the year, the board 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.

A copy of the code of conduct and the trading policy have been posted to the Abacus Property Group website.

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 following the provision of a written statement by the Managing Director and the Chief Financial officer that the financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

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

Malcolm Irving (chairman)	independent
John Thame	independent
Dennis Bluth	

The audit committee met 6 times during the year, with all members attending.

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

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

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

Principle 5: Disclosure

The Group is committed to the continuous disclosure of material information concerning the Group's operations to the market and during the year it 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.

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

Principle 6: Communication with security-holders

The Abacus Property Group website at www.abacusproperty.com.au provides general 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.

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

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

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 financial and compliance audits)
- compliance procedures, manuals and policies
- comprehensive insurance programs;
- retention of specialised staff and external advisers.

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

Compliance

The Group's 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 (chairman)	External Member
James Beecher	External Member
David Bastian	

This committee met four 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 one external member (who is not a director):

Dennis Bluth (chairman)
Frank Wolf
David Bastian
David Brodie External member

Due Diligence

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

Dennis Bluth (chairman)
Frank Wolf
David Bastian

Additional members, such as other board members, representatives of external advisers or independent experts, may be appointed for particular projects. During the year under review, there were four due diligence committee meetings, with Mr Bluth attending three meetings and Dr Wolf and Mr Bastian attending all four meetings. In addition, Mr Thame attended one meeting and Mr Irving attended two meetings in relation to the Abacus Diversified Income Fund offer document.

The objectives of the due diligence committee are:

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

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

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. Directors are also able to seek independent professional advice, if necessary, at the Group's expense.

Performance evaluation guidelines for the board and individual directors are annexed to the board charter, which has been posted to the Abacus Property Group website. As the new board charter was introduced toward the end of the financial year, the first performance evaluation of the board and directors will be conducted during the year ending 30 June 2005.

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 which comprises three non-executive directors:

John Thame (chairman)
Dennis Bluth
Malcolm Irving

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

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.

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

In the year ahead, the board intends to examine alternate remuneration policies, which may include the establishment of specific performance targets and key results indicators relevant to the contribution of individual staff to corporate performance.

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.

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

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 23 August 2004.

Number of holders of ordinary fully paid stapled securities	5,604
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	414
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 855 080
Other stock exchanges on which Abacus Property Group securities are quoted	none
Number and class of restricted securities or securities subject to voluntary escrow that are on issue	none
There is no current on-market buy-back	
From 1 July 2003 until the end of the reporting period on 30 June 2004, 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	38,980,850
UBS Nominees Pty Ltd	16,589,987

Securities Register

Number of Securities	Number of Security-holders
1-1000	40
1001-5000	287
5001-10000	884
10001-100000	4,223
100001 – over	170

Top 20 Largest Security-holdings

Security-holders	Number of Securities	% of issued Securities
1 Tower Trust Limited	38,952,442	13.10
2 RBC Global Services Australia Nominees Pty Ltd <BKCUST A/C>	30,618,459	10.29
3 ANZ Nominees Limited	14,153,207	4.76
4 Queensland Investment Corporation c/- National Nominees Limited	8,141,932	2.74
5 RBC Global Services Australia Nominees Pty Ltd <MLCI A/C>	7,242,630	2.44
6 Tricom Nominees Pty Ltd <LPG A/C>	6,002,711	2.02
7 Avanteos Investments Limited <FSP Super Fund A/C>	5,253,694	1.77
8 Permanent Trustee Australia Limited <MMC0007 A/C>	5,045,436	1.70
9 Assetinsure Pty Ltd	4,683,465	1.57
10 J P Morgan Nominees Australia Limited	3,536,735	1.19
11 Craig Securities (No. 2) Pty Limited	3,300,000	1.11
12 Kendall Securities (No. 2) Pty Limited	3,300,000	1.11
13 Pluteus (No. 164) Pty Limited	2,726,646	0.92
14 F M Wolf Pty Limited	2,196,600	0.74
15 Westpac Custodian Nominees Limited	2,087,677	0.70
16 Castlecrag Investments (No. 2) Pty Limited	1,882,800	0.63
17 FSP Group Pty Limited	1,307,231	0.44
18 Avanteos Investments Limited <Avanteos Super Fund No 2 A/C>	1,263,590	0.42
19 Avanteos Investments Limited <FSP IDPS A/C>	1,071,126	0.36
20 Redwick Pty Limited	900,000	0.30