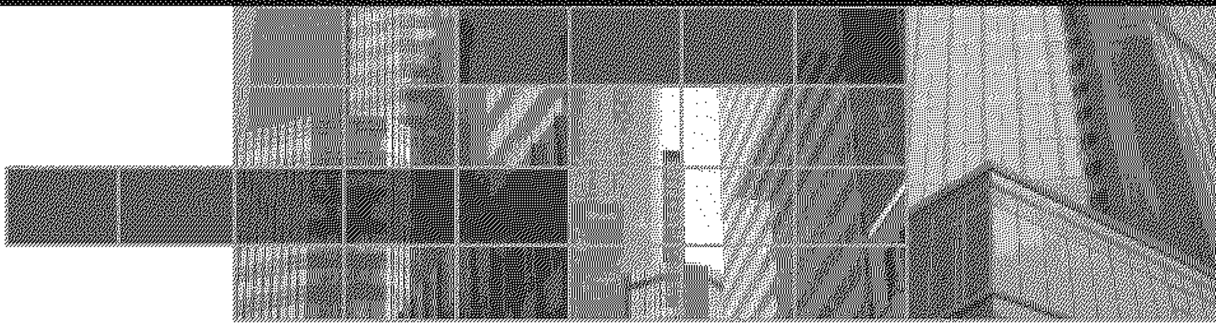
Abacus
PROPERTY GROUP

ADIF Overview



In relation to a proposal to staple the securities of the Abacus Diversified Income Fund to the securities of the Abacus Property Group

Issued by:

Abacus Funds Management Limited ACN 007 415 590 AFSL 227819
as responsible entity of the Abacus Income Trust ARSN 104 934 287

and Abacus Group Projects Limited ACN 104 066 104

Key Defined Terms

In this document, the following terms have these meanings. A full glossary is at section 12 of the Explanatory Memorandum.

Abacus	Abacus Funds Management Limited
ADIF	Abacus Diversified Income Fund, comprising the Abacus Income Trust (AIT) and Abacus Group Projects Limited (AGPL)
APG	Abacus Property Group, comprising the Abacus Trust (AT) and Abacus Group Holdings Limited (AGHL)
Merged Group	The group that will result from Stapling the securities of AT, AGHL, AIT and AGPL to one another
Merged Group Stapled Security	Each Merged Group Stapled Security will comprise one AT unit, one Restructured AIT unit, one AGHL share and one Restructured AGPL share

NOTE:

If you also hold APG securities, you will be sent a separate package of documents which will contain additional information about the proposed Merger. It is important that you read each package of documents.

PURPOSE OF THIS DOCUMENT

This document gives ADIF security-holders:

- an overview of the proposed Merger;
- an explanation of the key anticipated benefits and possible disadvantages of the Merger; and
- the Notice of Meeting to be held on 14 February 2006 to vote on whether the Merger should proceed.

The term 'Merger' is used to describe the process of Stapling ADIF securities and APG securities so that they will be traded together on the ASX under the name 'Abacus Property Group'.

This document is to be read with the Explanatory Memorandum which describes the Merger in greater detail and which has been sent to all ADIF security-holders and APG security-holders.

REGULATORY INFORMATION

This ADIF Overview and the Explanatory Memorandum are dated 14 December 2005 and are a prospectus issued by AGPL and a product disclosure statement issued by Abacus as responsible entity of AIT for the purposes of the Corporations Act. A copy of this Overview and the Explanatory Memorandum was lodged with ASIC on 14 December 2005 and has also been provided to the ASX. The fact that the ASX may agree to have the Merged Group Stapled Securities quoted is not to be taken in any way as an indication of the merits of the Merged Group or any of its constituent entities.

None of ASIC, the ASX or their respective officers takes any responsibility for the contents of this Overview or the Explanatory Memorandum.

This Overview and the Explanatory Memorandum do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

DISCLAIMER

You should read the Explanatory Memorandum in conjunction with this Overview to assist you in considering the resolutions and determining how you wish to vote.

The information in this Overview and the Explanatory Memorandum does not take into account the investment objectives, financial situation, taxation position or needs of any particular ADIF security-holder. It is important that you read this document and the Explanatory Memorandum before making any voting or investment decision. In particular, in considering the prospects of the Merged Group, it is important for you to consider the risk factors identified in section 4.5 of the Explanatory Memorandum that could affect the financial performance of the Merged Group. Past performance is no indication of future performance. You should carefully consider the risk factors in light of your particular investment objectives, financial situation, taxation position and individual needs. If you are in any doubt on these matters, consult your financial adviser before deciding how to vote on the Merger.

Please read all the documents carefully before deciding how to vote on the resolutions to give effect to the Merger, and complete and return the enclosed proxy form if you are unable to attend the meetings in person.

FORWARD LOOKING STATEMENTS

This Overview and the Explanatory Memorandum include certain prospective financial information which has been based on current expectations about future events. The prospective financial information is, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information. Factors which may affect future financial performance include, among other things, those risks identified in section 4.5 of the Explanatory Memorandum, variations in the assumptions underlying the financial forecasts and other matters not currently known to, or considered material by, Abacus.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of Abacus, its officers, any person named in this Overview or the Explanatory Memorandum or any person involved in the preparation of this Overview or the Explanatory Memorandum makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this Overview and the Explanatory Memorandum reflect views held only as at the date of this document.

This is an important document and requires your immediate attention. It should be read in its entirety. If you are in doubt as to what you should do, you should consult your financial adviser.

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14 December 2005

Dear Security-holder

It is proposed to merge the Abacus Diversified Income Fund (ADIF) and the Abacus Property Group (APG) into a single Merged Group. The result will be that ADIF securities and APG securities will be Stapled together and traded on the ASX under the name 'Abacus Property Group'.

In proposing the Merger, the directors of ADIF have been mindful of the forecast distribution of 9.25 cents per ADIF security. This forecast reflects a blended return of property rental income, interest income and profit share from projects. Achievement of the forecast is dependent on the ability of Abacus to source mortgages and projects to enhance the returns from the property portfolio, where the continued strength of the market has compressed yields.

The Merger will provide ADIF security-holders with an investment in a listed diversified property group which combines direct property ownership, funds management, mortgage lending, development projects and other property-based investments. With total assets of over $835 million and more than $1 billion in assets under management, the Merged Group will provide significant income diversification to underpin distributions to its security-holders and a strong base from which to pursue future growth opportunities.

Based on a value of $1.40 per Merged Group Stapled Security, being the median of the value range of $1.38 – $1.42 assessed by the Independent Expert, the Merger ratio values ADIF securities at approximately $1.09 per security, compared to the issue price of $1.00 per ADIF security under the first ADIF offer document issued in June 2003 or $1.02 per ADIF security under the second ADIF offer document issued in April 2004. In addition, if the Merger proceeds, ADIF security-holders will receive an increase in their quarterly income distributions to an effective rate of 9.36 cents per existing ADIF security on an annualised basis.

A meeting of ADIF security-holders (being a meeting of AIT unitholders and a meeting of AGPL shareholders) will be held at 10.00 am on Tuesday, 14 February 2006 at Level 42 MLC Centre, 19 Martin Place, Sydney to seek your approval to the proposed Merger in the terms set out in the Notices of Meeting, Explanatory Memorandum and this Overview. The Explanatory Memorandum also includes a report from an Independent Expert, PKF Corporate Advisers Pty Ltd, which has concluded that the Merger is in the best interests of ADIF security-holders as a group of investors.

A meeting of APG security-holders has also been called for the purpose of APG security-holders considering the Merger. For the Merger to proceed, ADIF security-holders and APG security-holders must vote in favour of all the resolutions at the meetings.

The Merger proposal has the unanimous support of the directors of Abacus, as responsible entity of the AIT, and AGPL, who have recommended that ADIF security-holders vote in favour of the proposal. The directors of Abacus and AGPL are also directors of APG and have recommended that APG security-holders should vote in favour of the proposal.

I encourage you to vote in favour of the proposal. If you are unable to attend the meetings to vote in person, please complete and return the enclosed proxy form to the registry, Computershare Investor Services Pty Limited. Proxies must be received by 10.00 am (Sydney time) on 14 February 2006.

Yours faithfully

John Thame

Chairman

MERGER OVERVIEW

What is the Merger?

The proposed Merger will combine ADIF and APG by the Stapling of the securities of AT, AIT, AGHL and AGPL to form the Merged Group.

In order for the Merger to proceed, the ADIF security-holders and the APG security-holders must vote in favour of all the resolutions at the meetings to be held on 14 February 2006.

What will change if the Merger proceeds?

ADIF security-holders holding ADIF securities on or about 24 March 2006 (the Stapling Record Date) will receive 0.78 Merged Group Stapled Securities for each ADIF security held.

Each Merged Group Stapled Security comprises one AT unit, one Restructured AIT unit, one AGHL share and one Restructured AGPL share.

For example, if you hold 1,000 ADIF securities on the Stapling Record Date, you will hold 780 Merged Group Stapled Securities after the Merger is implemented, made up of 780 units in AIT (after multiplying your existing 1,000 units in AIT by 0.78), 780 shares in AGPL (after multiplying your existing 1,000 shares in AGPL by 0.78), 780 new AT units and 780 new AGHL shares.

What income distributions will I receive?

ADIF security-holders will receive the forecast distribution of approximately 2.313 cents per ADIF security for the quarters ending 31 December 2005 (payable on or around 10 February 2006) and 31 March 2006 (payable on or around 10 May 2006). These distributions are in line with previous ADIF distributions and will be paid whether or not the Merger proceeds.

The distribution for the March quarter will accrue to ADIF security-holders as at the Stapling Record Date. ADIF security-holders may sell their ADIF securities cum-distribution until 10 March 2006, after which transfers will not be registered. From 20 March 2006, the Merged Group Stapled Securities will commence trading ex-distribution on a deferred settlement basis until the implementation of the Merger.

The first distribution to be paid by the Merged Group is forecast to be 3.00 cents per Merged Group Stapled Security for the quarter ending 30 June 2006 (12.00 cents per security on an annualised basis). This distribution will be paid on or about 10 August 2006.

Extending the example above, if you hold 1,000 ADIF securities on the Stapling Record Date, you are forecast to receive a distribution of $23.13 for the quarter ending 31 March 2006. After the Merger is implemented, you will hold 780 Merged Group Stapled Securities on which you are forecast to receive a distribution of $23.40 for the quarter ending 30 June 2006.

Who recommends the Merger?

The directors of Abacus, as responsible entity of AIT, and the directors of AGPL have considered the benefits and disadvantages of the Merger for ADIF security-holders and unanimously determined that the Merger is in the best interests of ADIF security-holders as a whole and unanimously recommend that you vote in favour of the Merger and approve all the resolutions.

The Independent Expert, PKF Corporate Advisers Pty Limited, has considered the Merger and concluded that the Merger is in the best interests of each of ADIF security-holders and APG security-holders, each as a separate group of investors.

ACTIONS SOUGHT FROM ADIF SECURITY-HOLDERS

Step 1: Read the documents in full

This document contains details of the Merger and sets out the key anticipated benefits and possible disadvantages of the Merger. The Explanatory Memorandum sets out more detail of the Merger, including the Independent Expert's report and the Taxation Report.

This information is important. You should read this Overview and the Explanatory Memorandum carefully and consider consulting your broker, financial or other professional adviser before taking any action.

If you have any questions about your ADIF securities or any matter contained in the documents, please contact the Abacus enquiry line on 1800 253 860 or visit the Abacus website at **www.abacusproperty.com.au.**

Step 2: Vote on the resolutions

It is very important that you vote on each of the resolutions to be considered at the ADIF security-holders' meetings to be held at 10.00 am on 14 February 2006.

If you are unable to attend the meeting of ADIF security-holders in person, you should complete and return the enclosed proxy forms so as to be received before 10.00 am (Sydney time) on 14 February 2006.

Key Dates

Event	Indicative Date
Time and date for determining eligibility to vote at meetings of ADIF security-holders	10.00 am on 12 February 2006
Latest time and date for lodgment of proxy forms	Before 10.00 am on 14 February 2006
Meetings of ADIF security-holders	10.00 am on 14 February 2006
Second Court hearing in relation to judicial advice	10.00 am on 20 February 2006
Last day for transferred ADIF securities to be registered	Before 5.00 pm on 10 March 2006
ADIF Preliminary Record Date – Time and date for determining Foreign security-holders	5.00 pm on 10 March 2006
Effective Date – Date on which Merger is expected to become effective	17 March 2006
Commence trading in Merged Group Stapled Securities on a deferred settlement basis	20 March 2006
Stapling Record Date – Time and date for determining entitlements to Merged Group Stapled Securities Record date for distributions for the quarter ending 31 March 2006	5.00 pm on 24 March 2006
Implementation Date – Date on which new securities will be issued Date on which APG securities and ADIF securities will be Stapled to form Merged Group Stapled Securities	31 March 2006s
Commencement of normal trading on ASX of Merged Group Stapled Securities	3 April 2006
Payment date for distributions for quarter ending 31 March 2006	10 May 2006

All the times and dates after the date of the ADIF security-holders' meetings are indicative only. The actual time and dates will depend on many factors outside the control of Abacus and AGPL. Any changes to the above timetable will be announced to the ASX and notified on the Abacus website at **www.abacusproperty.com.au.**

KEY QUESTIONS ABOUT THE MERGER

Why is the Merger being proposed?

The Merger is considered to be beneficial to both ADIF security-holders and APG security-holders. In particular, it provides ADIF security-holders with liquidity, increased forecast quarterly income distributions and enhanced prospects for growth. Further information on the rationale for the Merger is provided at page 7 of this Overview and in section 1.1 of the Explanatory Memorandum.

What will you receive if the Merger proceeds?

If the Merger proceeds, you will own Merged Group Stapled Securities that are listed on the ASX. The Independent Expert has assessed the value of Merged Group Stapled Securities to be within the range $1.38 – $1.42. Based on the median value of $1.40, the proposed Merger ratio values your existing ADIF securities at approximately $1.09 each.

If the Merger proceeds, the amount of the quarterly income distribution you receive will increase slightly.

What will be the key features of the Merged Group if the Merger proceeds?

The Merged Group will be a listed diversified property group with over $835 million in total assets and four core businesses:

- portfolio of investment properties;
- funds management and asset management businesses;
- portfolio of secured loans;
- property-based projects and other investments.

A more detailed description of the Merged Group is set out in section 4 of the Explanatory Memorandum.

What financial information is available?

A summary of financial information on ADIF on a stand alone basis (ie. if the Merger does not proceed) is set out on page 12 of this Overview. A summary of financial information on the Merged Group is set out on pages 15-16. Detailed financial information on ADIF, APG and the Merged Group is set out in section 5 of the Explanatory Memorandum. The Independent Accountant's report on the financial information is set out in section 6 of the Explanatory Memorandum.

What should you consider before deciding how to vote?

You should consider the information in this Overview and the Explanatory Memorandum in light of your own personal financial situation, investment objectives, taxation position and individual needs.

Key anticipated benefits and possible disadvantages of the Merger are set out on pages 9-10 of this Overview.

What has the Independent Expert said?

The Independent Expert has considered the Merger and concluded that the Merger is in the best interests of each of ADIF security-holders and APG security-holders, in each case assessed as separate groups of investors. The Independent Expert's report is set out in section 7 of the Explanatory Memorandum.

What are the tax implications of the Merger?

Greenwoods & Freehills Pty Limited has provided a Taxation Report on the Australian taxation consequences of the Merger and of holding Merged Group Stapled Securities which is reproduced at section 8 of the Explanatory Memorandum.

In summary, there should be no immediate capital gains or income tax implications as a consequence of the Merger, but the cost base of your securities will be affected.

What have the directors recommended?

The directors of Abacus and AGPL unanimously recommend that you vote in favour of the Merger. The directors of Abacus and AGPL are also directors of APG and have recommended that APG security-holders vote in favour of the Merger.

How is the Merger being implemented?

The Merger will be implemented by way of amendments to the constitutions of AT, AIT, AGHL and AGPL, consolidating ADIF securities, making distributions to effect the Merger and subscribing for and issuing APG securities and ADIF securities. An outline of how the Merger will be implemented is provided at pages 7-8 of this Overview with a detailed explanation provided in section 9.6 of the Explanatory Memorandum.

Where are the details of the resolutions to be passed by ADIF security-holders?

The details of the resolutions to be passed by ADIF security-holders can be found in the Notices of Meeting included at the back of this document. An explanation of those resolutions is contained in section 10 of the Explanatory Memorandum.

What are the business risks of the Merged Group?

Investment in Merged Group Stapled Securities will be subject to general and specific business risks. Some of these business risks are explained in section 4.5 of the Explanatory Memorandum.

What other information is available?

Sections 9 and 11 of the Explanatory Memorandum contain other information in relation to the Merger including a description of the amendments to the constitutions of AIT and AGPL, a description of the amendments to the constitutions of AT and AGHL, summaries of the Stapling Deed and the Implementation Deed, details of the interests of directors and other statutory information.

If you have any further questions, you can contact the Abacus enquiry line on 1800 253 860 or visit the Abacus website on **www.abacusproperty.com.au**.

What if the Merger does not proceed?

If the Merger does not proceed, ADIF will continue in its current form and will remain unlisted. ADIF security-holders will keep their existing ADIF securities and will not receive any APG securities. APG security-holders will keep their existing APG securities and will not receive any ADIF securities. Forecast financial information on ADIF if the Merger does not proceed is set out in detail in section 5.4.2 of the Explanatory Memorandum.

What if I am a Foreign security-holder?

Foreign security-holders are not eligible to receive Merged Group Stapled Securities. Legal title to ADIF securities held by all Foreign security-holders will be transferred to the Stockbroker to deal with in accordance with section 9.7 of the Explanatory Memorandum.

What can I do if I do not want to hold Merged Group Stapled Securities?

If the Merger is approved and you do not want to hold Merged Group Stapled Securities, you may seek a buyer for your ADIF securities[1]. Transfers will not be registered after 10 March 2006.

After the Merger is implemented, you can sell your Merged Group Stapled Securities on the ASX.

What is the purpose of the judicial advice?

Abacus has sought orders for judicial advice from the Supreme Court of New South Wales to confirm that it may implement the Merger. Your right to appear at the second Court hearing on 20 February 2006 is explained in section 9.14 of the Explanatory Memorandum.

[1] ADIF securities are illiquid. ADIF security-holders have no right to require that their interest be bought or redeemed by Abacus or anyone else.

SUMMARY OF THE MERGER

This section provides an overview of the Merger and what it means for ADIF security-holders. Further details on how the Merger will be implemented are set out in section 9 of the Explanatory Memorandum.

Overview

On 6 December 2005, Abacus announced a proposal to merge APG with ADIF to form a listed property group with over $835 million in assets and over $1 billion in total assets under management.

If approved, the Merger is expected to be implemented on or around 31 March 2006 by the Stapling of ADIF securities to APG securities to form the Merged Group, which will be known as the Abacus Property Group. The Merged Group Stapled Securities will trade jointly as one security on the ASX.

Why the Merger has been proposed

ADIF was established with the objective of building a diversified portfolio of property-based assets to provide reliable income and potential for capital growth. It was the stated intention of Abacus to grow ADIF to a sufficient size to enable its listing on the ASX to provide liquidity to investors.

Since the issue of the first ADIF offer document in June 2003, ADIF has increased its total assets from approximately $62 million to approximately $240 million and raised over $102 million in equity as at 30 June 2005. Distributions per ADIF security have grown from the initial 9.00 cents pa to the current rate of 9.25 cents pa.

The second equity-raising for ADIF was closed in December 2004 as it was considered an opportune time to revalue the property portfolio, review the assumptions underpinning the financial forecasts and reconsider the strategy for growth. Fifteen properties were revalued on or around 30 June 2005, resulting in a net increase of $3.3 million in the carrying value of the property portfolio.

The continued strength of the property market and consequent yield compression has meant that growth through property acquisition could not be achieved without reducing the ADIF distribution and an alternative strategy was required. Based on the twin objectives of preservation of income and provision of liquidity, the following options were considered:

- Changing the ADIF investment strategy: Direct property forms the main component of the ADIF portfolio. Buying properties with a higher risk profile and/or increasing the proportion of other types of property assets in order to support the distribution would change the risk profile of ADIF to an unacceptable extent and be less attractive to future investors.
- Listing ADIF in its current form: Property stocks with a low market capitalisation are not well-supported by the market and have limited liquidity;
- Selling the assets of ADIF and returning capital to ADIF security-holders: Sale would obviate the primary purpose of an investment in ADIF, being to provide a reliable quarterly income distribution for investors.
- Bringing ADIF and the APG together into a single Merged Group.

The Merger meets the objectives of providing ADIF security-holders with reliable quarterly income and liquidity by providing them with an investment in a listed property group with a diversified portfolio of property assets, secured loans and other property-based business activities including funds management. While property investment remains the core business, the broader range of activities offers diversification which should underpin distributions to investors.

Details of the key anticipated benefits and possible disadvantages of the Merger are set out on pages 9-10 of this Overview.

Implementation of the Merger

The Merger ratios determine the entitlement of ADIF security-holders and APG security-holders to Merged Group Stapled Securities and are as follows:

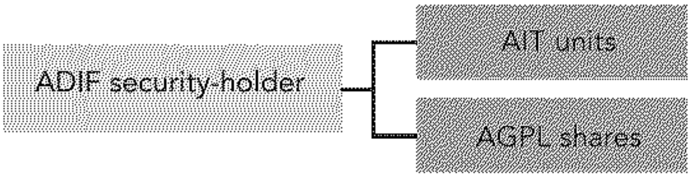
Existing securities	Merger ratio	Number of Merged Group Stapled Securities per 1,000 existing securities
ADIF securities	0.78	780
APG securities	1.00	1,000

The value contributed by each group of security-holders to the Merged Group has been determined by the boards of Abacus, AGHL and AGPL based on a number of factors, including the relative value, current distributions and future prospects of each entity.

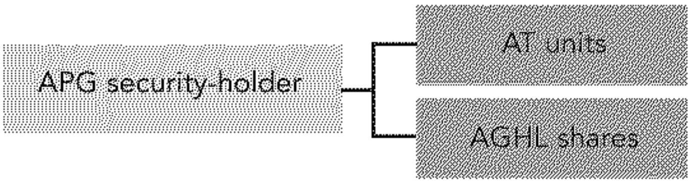
The Independent Expert has concluded that the Merger ratio represents a fair balance between the APG security-holders and the ADIF security-holders, each as a group of investors having regard to the respective assessed contributions of value to the Merged Group.

As a result, if the Merger is approved, for each ADIF security (comprising one AIT unit and one AGPL share) you currently hold, you will hold 0.78 Merged Group Stapled Securities after the Implementation Date. Each Merged Group Stapled Security will comprise one AT unit, one Restructured AIT unit, one AGHL share and one Restructured AGPL share.

ADIF security-holders today hold AIT units Stapled to AGPL shares:

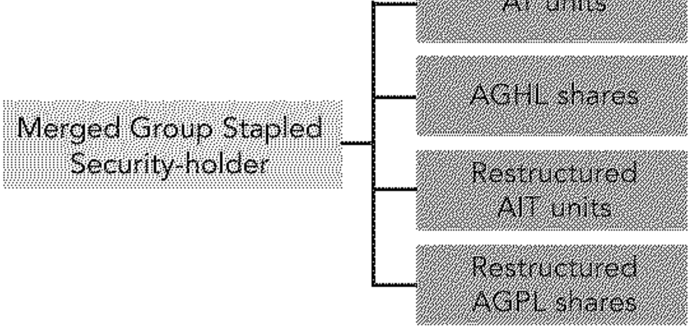


APG security-holders today hold AT units Stapled to AGHL shares



After implementation of the Merger, both ADIF security-holders and APG security-holders will hold Merged Group Stapled Securities:

AFTER MERGER



Following the Merger, ADIF security-holders will collectively hold approximately 17% of the Merged Group Stapled Securities.

Conditions of the Merger

For the Merger to proceed, all the resolutions put to each meeting must be approved by the required majorities.

The resolutions to be considered by ADIF security-holders are set out in the AIT Notice and the AGPL Notice set out at pages 17-20 of this Overview. An explanation of the resolutions with information on the voting majorities required is set out in section 10 of the Explanatory Memorandum.

Other key conditions are that:

- the Implementation Deed is not terminated;
- the Australian Taxation Office provides confirmation in the terms sought by Greenwoods & Freehills Pty Limited envisaged in their Taxation Report (section 8 of the Explanatory Memorandum), or otherwise on the basis considered by the directors of Abacus, AGHL and AGPL to be acceptable; and
- Abacus, as responsible entity of AIT and AT, obtains confirmation from the Supreme Court of NSW that it may implement the Merger.

More information on the process of judicial advice is provided at section 9.14 of the Explanatory Memorandum.

Distributions

ADIF security-holders will receive the forecast distribution of approximately 2.313 cents per security for the quarters ending 31 December 2005 (payable on or around 10 February 2006) and 31 March 2006 (payable on or around 10 May 2006). These distributions are in line with previous ADIF distributions and will be paid whether or not the Merger proceeds.

The distribution for the March quarter will accrue to ADIF security-holders as at the Stapling Record Date. ADIF security-holders may sell their ADIF securities cum-distribution until 10 March 2006, after which transfers will not be registered. From 20 March 2006, the Merged Group Stapled Securities will commence trading ex-distribution on a deferred settlement basis until the implementation of the Merger.

As part of the Merger process, a further distribution will be paid by AIT which will be applied to acquire APG securities on behalf of ADIF security-holders. Full details on how the Merger is to be implemented are set out in section 9 of the Explanatory Memorandum.

Following implementation of the Merger, the Merged Group is forecast to pay a distribution of 3.00 cents per Merged Group Stapled Security for the quarter ending 30 June 2006 (12.00 cents per security on an annualised basis). This distribution will be paid on or about 10 August 2006.

For example, if you hold 1,000 ADIF securities on the Stapling Record Date, you are forecast to receive a distribution of $23.13 for the quarter ending 31 March 2006. After the Merger is implemented, you will hold 780 Merged Group Stapled Securities on which you are forecast to receive a distribution of $23.40 for the quarter ending 30 June 2006.

Distribution policy

Distributions will continue to be paid quarterly, no later than two months after the record date for each period (generally 31 March, 30 June, 30 September and 31 December).

Following the Merger, distributions may comprise:

- distributions from AT;
- distributions from AIT;
- dividends from AGHL; and
- dividends from AGPL.

It is anticipated that the majority of the income distributions will be paid by the trusts.

A distribution reinvestment plan will be available for security-holders to reinvest their distributions in additional Merged Group Stapled Securities if they wish.

The Australian taxation consequences of receiving distributions with tax-deferred components and of receiving franked dividends are set out in the Taxation Report in section 8 of the Explanatory Memorandum.

BENEFITS AND DISADVANTAGES OF THE MERGER

The directors of Abacus and AGPL believe that the Merger is in the best interests of ADIF security-holders. Set out below are the key anticipated benefits and possible disadvantages of the Merger considered in coming to that conclusion.

The directors have carefully considered these benefits and disadvantages and have concluded that the anticipated benefits of the Merger outweigh the possible disadvantages. The directors unanimously recommend that ADIF security-holders vote in favour of the Merger because they believe it is in the best interests of ADIF security-holders. The Independent Expert has also considered the advantages and disadvantages of the Merger (some of which differ from those set out below) which are set out in the Independent Expert's report in section 7 of the Explanatory Memorandum.

Benefits

Liquidity

The Merged Group will be listed on the ASX, providing security-holders with the ability to liquidate all or part of their holding.

Merger values ADIF securities at approximately $1.09[1]

Based on a value of $1.40 per Merged Group Stapled Security, being the median of the value range of $1.38 – $1.42 assessed by the Independent Expert, the Merger values ADIF at approximately $1.09 per ADIF security, reflecting the value of the synergies arising from merging ADIF and APG.

The precise value of ADIF securities under the Merger proposal will fluctuate with movements in the price of the Merged Group Stapled Securities.

	Number of securities held	Value per security	Value of holding
BEFORE MERGER ADIF	1,000	$1.02	$1,020
POST MERGER Merged Group	780	$1.40[1]	$1,092

1. Based on a value of $1.40 per Merged Group Stapled Security, being the median of the value range of $1.38 – $1.42 assessed by the Independent Expert.

Alignment of management and ADIF security-holder interests

Under current arrangements, ADIF is externally managed by Abacus in its role as responsible entity of AIT and manager of AGPL. Abacus is paid a management fee based on gross assets and other fees based on various performance measures.

As Abacus is a wholly-owned subsidiary of AGHL, APG has internal management with complete alignment of interests between the manager and security-holders.

Income

The forecast distribution for the Merged Group for the quarter ending 30 June 2006 is 3.00 cents per security (12.00 cents per security on an annual basis), based on the assumptions underlying the financial information set out in section 5.6 of the Explanatory Memorandum. The forecast distribution for ADIF if the Merger does not proceed is approximately 2.313 cents per ADIF security for the quarter ending 30 June 2006 (9.25 cents per ADIF security on an annual basis).

Based on these forecasts and the Merger ratio, the income distribution payable after the Merger to former ADIF security-holders is approximately 1% higher than that payable if the Merger did not proceed.

Forecast distributions for the quarter ending 30 June 2006

	Number of securities held	Forecast distribution per security	Forecast total distribution
BEFORE MERGER ADIF	1,000	2.313 cents	$23.13
POST MERGER Merged Group	780	3.000 cents	$23.40

Lower gearing

The Merged Group is estimated to have a gearing level of approximately 30% (on a pro forma basis), compared to the gearing of approximately 53% of ADIF as at 30 June 2005.

Continuity of management

The Merged Group will be managed by the same experienced management team as presently manages ADIF.

Lower costs

Following the Merger, management and other fees formerly payable to Abacus by ADIF will be eliminated.

The Merged Group should have operational economies of scale owing to its larger size and listed status.

Potential for growth

The increased size and balance sheet strength of the Merged Group will enhance its financial capacity to pursue growth opportunities.

Disadvantages

Decrease in NTA per security

The NTA per ADIF security as at 30 June 2005 is 98 cents (on a pro forma basis) compared to the last issue price of $1.02. This reflects the fact that the increase in equity, primarily through property revaluations, has largely met property acquisition costs (such as stamp duty) and issue costs of ADIF. It also reflects recent changes to accounting standards.

The NTA per APG security as at 30 June 2005 is $1.09 compared to the value per Merged Group Stapled Security of $1.40, being the median of the range of $1.38 – $1.42 assessed by the Independent E: pert. It is common for well-regarded businesses with growth prospects to trade at a premium to NTA. The average p·emium to NTA of the S&P/ASX200 Property Index was 43% (Source: UBS report dated 28 November 2005).

The pro forma NTA per Merged Group Stapled Security is $1.12 cents.

	Number of securities held	NTA per security	NTA of holding
BEFORE MERGER ADIF	1,000	98 cents	$980
POST MERGER Merged Group	780	$1.12	$874

Decrease in proportion of tax-deferred income

In the year ended 30 June 2005, the tax-deferred proportion of the ADIF distribution was 67% and is forecast to be 58% pa for the year ending 30 June 2006 assuming the Merger does not proceed.

The forecast distribution of the Merged Group is forecast to be 23% tax-deferred for the year ending 30 June 2006 (on a pro forma basis).

Volatility in price of listed securities

Price volatility is inevitable in a listed environment and outside the control of Abacus, AGHL and AGPL.

Change in risk profile

The risks associated with the broader range of businesses undertaken by the APG are set out in section 4.5 of the Explanatory Memorandum. While the benefits of diversification may act to reduce the risks associated with the performance of the Merged Group, there are particular additional risks compared with those associated with the existing investment portfolio of ADIF.

IF THE MERGER DOES NOT PROCEED

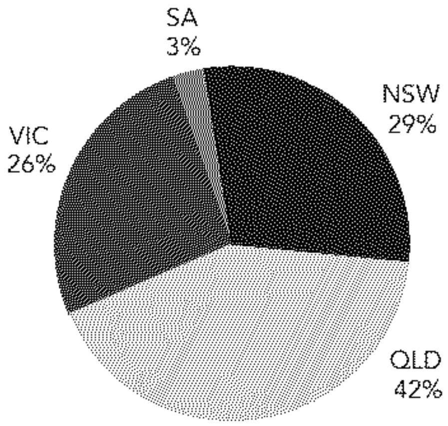
If the Merger does not proceed, ADIF security-holders will not receive the AIT Merger distribution and will not receive APG securities.

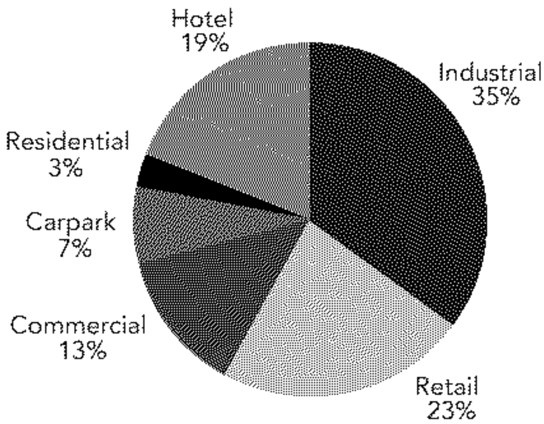
ADIF will continue as an unlisted diversified property group made up of:

AIT	• portfolio of investment properties valued at approximately \$203 million at 30 June 2005 (on a pro forma basis); and • portfolio of secured loans valued at approximately \$24 million at 30 June 2005 (on a pro forma basis).
AGPL	• holds a 50% interest in a boutique residential property development at North Cronulla with a carrying value of \$1.5 million; and • holds investment property and management rights over the Rydges Esplanade Resort Apartments Cairns.

Property Portfolio

The property portfolio is highly diversified by location and sector:





The property portfolio currently enjoys a 99% occupancy level and a weighted average lease expiry (based on gross income) of approximately 6.3 years.

Details on the individual properties are at section 3.2 of the Explanatory Memorandum.

Abacus will continue to seek new property acquisitions, and expects that the joint venture with Metcash Trading Limited will continue to provide a pipeline of small retail properties for AIT.

Forecast distributions

Abacus has forecast a distribution of 9.25 cents per ADIF security for the year ending 30 June 2006.

The ADIF distribution reflects a blended return of property rental income, interest income and profit share from projects. Achievement of the forecast is dependent on the ability of Abacus to source mortgages and projects to enhance the returns from the property portfolio, where the continued strength of the market has compressed yields.

Summary Financial Information

The following is a summary extract of the full financial information provided in sections 5.4.2 and 5.5.2 of the Explanatory Memorandum.

The following tables set out the summarised pro forma aggregated balance sheet as at 30 June 2005 and forecast pro forma income statement for the year ending 30 June 2006 for ADIF based on the assumptions that the Merger does not proceed, no further properties are acquired and no further equity is raised. These tables have been based on the audited 30 June 2005 financial report and adjusted for material events and transactions that have occurred since 30 June 2005 and should be read in conjunction with the assumptions and notes set out in sections 5.4.2, 5.5.2 and 5.6 of the Explanatory Memorandum.

ADIF aggregated balance sheet 30 June 2005	Pro forma AIFRS
	$'000
Assets	
Investment properties	203,526
Financial assets[2]	23,779
Intangible assets	1,154
Cash, receivables and other assets	12,369
Total Assets	**240,828**
Total Liabilities	**140,698**
Net Assets	**100,130**
ADIF securities on issue (million)	101.5
NTA per ADIF security (cents)	98.0
Net debt gearing (%)	53.6

1.Detailed pro forma Balance Sheet is set out at section 5.5.2 of the Explanatory Memorandum.
2.Details of financial assets are set out in the notes of section 5.5.2 of the Explanatory Memorandum.

ADIF forecast aggregated income statement	Forecast – 30 June 2006
	$'000
Net property income	14,627
Net mortgage investment income	2,689
Net development and investment income	812
Earnings before interest, tax and amortisation	**18,128**
Net financing costs, amortisation, tax and outside equity interests	(8,945)
Net profit attributable to ADIF security-holders	**9,183**
Distributions paid or payable	(9,400)
Pro forma weighted average ADIF securities on issue (million)	101.5
Earnings per ADIF security (cents)	**9.05**
Distribution per ADIF security (cents)	**9.25**

1. Detailed forecast pro forma Income Statement is set out at section 5.4.2 of the Explanatory Memorandum.

While the forecast distribution of 9.25 cents per ADIF security exceeds the forecast earnings of 9.05 cents per ADIF security, the actual earnings of ADIF for the year ending 30 June 2006 are expected to reflect income from secured loans and/or projects which have not yet been sourced or have not had their documentation sufficiently advanced as at the date of this document to be included in the forecasts.

Achievement of the forecast distribution is dependent on the ability of Abacus to source mortgages and projects to enhance the returns from the property portfolio.

PROFILE OF THE ABACUS PROPERTY GROUP POST MERGER

While the Merger will not create a single legal entity, the effect of the Stapling of the units of AT and AIT and the shares of AGHL and AGPL is to create a group that acts as a single entity.

Following is an overview of the Merged Group. Further detail is provided at section 4 of the Explanatory Memorandum.

Overview of the Abacus Property Group post Merger

The Merged Group will be an internally managed, diversified property group listed on the ASX. It will have:

- market capitalisation of approximately $650 million (based on a security price of $1.40);
- total assets of over $835 million and net assets of $552 million (on a pro forma basis); and
- forecast net profit after tax of approximately $55.7 million for the year ending 30 June 2006 (on a pro forma basis and before property revaluation and financial instrument fair value movements).

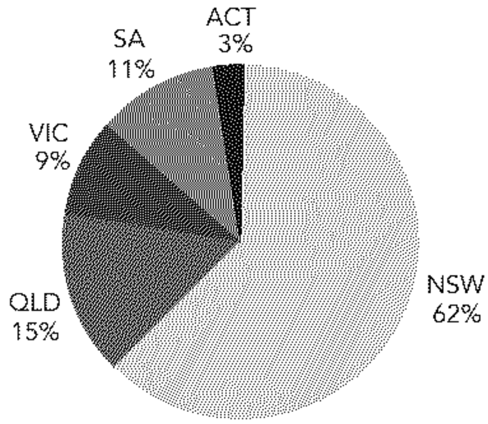
The Merged Group's core business activities are reflected in the following diagram:

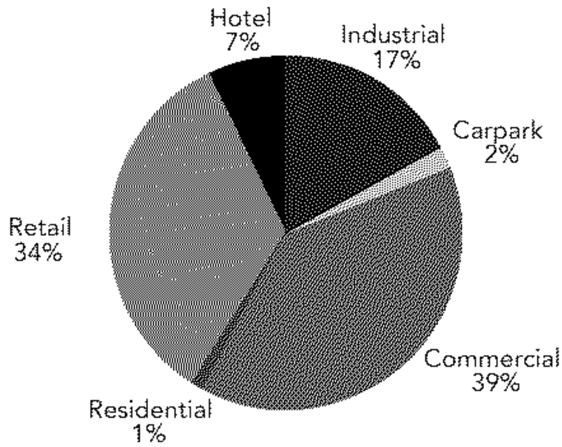
Abacus Property Group

Property Portfolio	Funds Management	Mortgage Lending	Projects and Investments
Mix of industrial , retail, commercial and leisure assets located in NSW, QLD, SA, ACT and Victoria.	Over $1 billion in assets under management. 10 year track record and strong relationships with over 1,500 financial advisers and more than 10,000 retail investors.	High quality, diversified loan portfolio secured by mortgages and supplementary security. Highly experienced management team.	Diversified portfolio of projects and investments. Network of strategic business partners with local and/or industry expertise.

Property Portfolio

The total property portfolio will have assets with a carrying value as at 30 September 2005 of approximately $561 million, diversified across retail, industrial, commercial, carpark and hotel properties located in NSW, Queensland, Victoria, the ACT and South Australia.





Further information on the property portfolio is provided at section 4.3 of the Explanatory Memorandum.

Funds Management

Abacus utilises the skills and market presence of its property specialists to identify and package investment opportunities for retail and other clients and leverages its strong balance sheet to provide working capital to acquire assets ahead of the receipt of funds from investors. By providing a range of high quality investment opportunities, Abacus is able to maintain strong relationships with over 1,500 financial planners and contribute to the investment objectives of over 10,000 clients.

Assets under management presently exceed $1 billion. Further information on Abacus's funds management activities is provided at section 2.3 of the Explanatory Memorandum.

Secured Loans

The Merged Group will advance secured loans to generate interest and fee income. A highly experienced team is involved in the selection and management of the diversified loan portfolio.

The Merged Group will provide both first mortgage and mezzanine funding to a diverse group of investors, with each loan secured against real property assets. Additional collateral security is often obtained to supplement mortgage security.

Funds will also be advanced to support existing and new Abacus funds management products in advance of equity being raised from investors. This activity has been a major support in the growth of ADIF.

Projects and other property-related investments

Abacus has generated a pipeline of diversified projects to provide ongoing earnings from fees and profit participation. Projects are structured to minimise risk to Abacus, which does not take a significant equity position in any one transaction but participates as sponsor, partner, facilitator or financier.

Many projects are undertaken through joint venture arrangements, which will enable Abacus to combine its property skills and capital base with the specific industry expertise or local property knowledge of its network of strategic partners across Australia. Further information on these activities is provided at section 2.5 of the Explanatory Memorandum.

Corporate Governance

Details of the boards of directors of the Merged Group and corporate governance policies are set out in section 4.4 of the Explanatory Memorandum.

Summary Financial Information

The following is a summary extract of the full financial information provided in sections 5.4.3 and 5.5.2 of the Explanatory Memorandum.

The following table sets out the pro forma summarised aggregated balance sheet as at 30 June 2005 and forecast pro forma income statement for the year ending 30 June 2006 as if the Merger had been implemented on 30 June 2005.

The pro forma summarised aggregated balance sheet has been compiled as if the Merger had occurred at 30 June 2005 and reflects the material events and transactions that have occurred since 30 June 2005. It should be read in conjunction with the assumptions and notes set out in section 5.5.3 and 5.6 of the Explanatory Memorandum. The table is presented under the Australian Equivalent of the International Financial Reporting Standards (AIFRS).

Merged Group aggregated balance sheet 30 June 2005	Pro forma AIFRS
	$'000
Assets	
Investment properties	563,599
Financial assets[2]	192,621
Intangible assets	33,548
Cash, receivables and other assets	45,852
Total Assets	**835,620**
Total Liabilities	**283,843**
Net Assets	**551,777**
Pro forma Merged Group Stapled Securities on issue (million)	464.7
NTA per Merged Group Stapled Security ($)	1.12
Net debt gearing (%)	30.5

1. Detailed pro forma aggregated Balance Sheet is set out at section 5.5.2 of the Explanatory Memorandum.
2. Details of financial assets are set out in the notes of section 5.5.2 of the Explanatory Memorandum.

The following table sets out the summarised forecast pro forma aggregated income statement for the Merged Group, compiled on a pro forma basis assuming the Merger had been effected on 30 June 2005. The table should be read in conjunction with the assumptions and notes set out in sections 5.4.3 and 5.6 of the Explanatory Memorandum.

Merged Group forecast income statement[1]	Forecast – 30 June 2006
	$'000
Net property income	46,396
Net mortgage investment income	16,715
Net funds management income	7,452
Net development and investment income	4,587
Earnings before interest, tax and amortisation	**75,150**
Net financing costs, amortisation, tax and outside equity interests	(19,487)
Net profit attributable to Merged Group Stapled Security-holders	**55,663**
Distributions paid or payable	(54,831)
Pro forma weighted average stapled securities on issue (million)	464.7
Earnings per Merged Group Stapled Security (cents)	**11.98**
Distribution per Merged Group Stapled Security (cents)	**11.80**

1. Detailed forecast pro forma Income Statement is set out at section 5.4.3 of the Explanatory Memorandum.

Disclaimer

The forward looking statements provided above have been based on current assumptions about future events and are subject to risks and uncertainties that could cause actual results to differ materially from the expected results described in such forward looking statements. Deviations are both normal and to be expected. Factors which may affect future financial performance include, among other things, those risks identified in section 4.5 of the Explanatory Memorandum, variations in the assumptions underlying the financial forecasts and other matters not currently known to, or considered material by Abacus, AGHL or AGPL.

None of Abacus, its officers, AGHL, AGPL, any person named in this Overview or the Explanatory Memorandum or any person involved in the preparation of this Overview or the Explanatory Memorandum makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this Overview and the Explanatory Memorandum reflect views held only as at the date of this document.

NOTICE OF MEETING – ABACUS INCOME TRUST

NOTICE is given that a meeting of holders of units in Abacus Income Trust ARSN 104 934 287 (AIT) will be held at 10.00 am on Tuesday, 14 February 2006 at the offices of Abbott Tout at Level 42, MLC Centre, 19 Martin Place, Sydney NSW.

Business

1. AIT Merger Approval Resolution

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That the proposal under which shares in Abacus Group Holdings Limited, units in Abacus Trust, shares in Abacus Group Projects Limited and units in Abacus Income Trust will become stapled securities, and which involves a distribution being made by Abacus Trust so unitholders can acquire Abacus Group Project Limited shares and Abacus Income Trust units, and a distribution being made by Abacus Income Trust so unitholders can acquire Abacus Group Holdings Limited shares and Abacus Trust units, as more particularly set out in the Explanatory Memorandum that accompanies the notice convening this meeting, is approved."

2. AIT Constitution Amendment Resolution

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, in accordance with section 601GC(1) of the Corporations Act, the constitution of the Abacus Income Trust is amended in accordance with the provisions of a deed poll in the form tabled at the meeting and signed by the Chairman of the meeting for the purposes of identification, such modification to take effect on the date on which an order of the Supreme Court of New South Wales is made confirming that Abacus is justified in implementing the Merger in accordance with the Explanatory Memorandum."

Notes

This notice should be read in conjunction with the Explanatory Memorandum that accompanies this notice.
The Explanatory Memorandum contains an explanation of the resolutions and further information about the Merger.

Unless otherwise defined in this notice, terms used in this notice have the same meaning as set out in the Glossary in the Explanatory Memorandum.

Exercise of votes

The vote on the resolutions will be conducted by way of a poll. On a poll, a unitholder has one vote for every unit that they hold in the AIT.

Unitholders entitled to vote

Abacus, as responsible entity of AIT, has determined that a person's entitlement to attend and vote, either in person or by proxy, at the meeting will be the entitlement of that person set out in the register of holders of units in the AIT at 10.00 am (Sydney time) on 12 February 2006. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Furthermore, each individual who is present at the meeting may vote if they are a unitholder in accordance with the paragraph above, or a recognised proxy, attorney or corporate representative of a unitholder.

Unitholders need not exercise all of their votes in the same way and need not cast all of their votes.

Attendance by unitholders

Unitholders must attend the meeting at least 30 minutes prior to the time designated for the meeting so that the number of their units and their attendance can be confirmed.

Voting of jointly held units

If units are jointly held by unitholders, only one of the joint holders is entitled to vote at the meeting. If more than one unitholder votes in respect of a jointly held unit, only the first to vote is counted. If it is not practical to determine which was first, the earliest named in the register to exercise such right (to the exclusion of those named later) prevails.

Voting by corporations

In order to vote at the meeting (other than by proxy), a corporation that is a holder of units must appoint a person to act as its representative. The appointment must comply with the Corporations Act. A letter of representation must be lodged with Abacus (marked to the attention of the Company Secretary):

(a) at its registered office at Level 34 Australia Square, 264-278 George Street Sydney; or

(b) by facsimile on 61 2 9253 8616,

The letter of representation must be received by Abacus prior to the commencement of the meeting or the representative must bring to the meeting evidence of his or her appointment including any authority under which it is signed.

Voting by proxy

(a) A unitholder who is entitled to attend and cast a vote at the meeting may appoint a proxy. The following address and facsimile number are specified for the purpose of receipt of proxy appointments:

 Computershare Investor Services Pty Ltd
 Facsimile: 61 3 9473 2118
 Level 2, 60 Carrington Street
 Sydney NSW 2000

(b) A proxy need not be a unitholder.

(c) A unitholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

(d) To be effective, the instrument by which the proxy is appointed by a unitholder and, if the instrument is signed by the unitholder's attorney, the authority under which the instrument is signed or a certified copy of the authority, must be received by Abacus before 10.00 am on 14 February 2006.

(e) For more information concerning the appointment of proxies and the addresses to which proxy forms may be sent, please refer to the reverse side of the proxy form.

By order of the Board of Abacus

Sean O'Donoghue
Company Secretary

Dated: 14 December 2005

NOTICE OF MEETING – ABACUS GROUP PROJECTS LIMITED

NOTICE is given that a general meeting of holders of ordinary shares in Abacus Group Projects Limited (ACN 104 066 104) (AGPL) will be held at 10.00 am on Tuesday, 14 February 2006 at the offices of Abbott Tout at Level 42, MLC Centre, 19 Martin Place, Sydney NSW.

Business

1. AGPL Merger Approval Resolution

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That the proposal under which shares in Abacus Group Holdings Limited, units in Abacus Trust, shares in Abacus Group Projects Limited and units in Abacus Income Trust will become stapled securities, and which involves a distribution being made by Abacus Trust so unitholders can acquire Abacus Group Project Limited shares and Abacus Income Trust units, and a distribution being made by Abacus Income Trust so unitholders can acquire Abacus Group Holdings Limited shares and Abacus Trust units, as more particularly set out in the Explanatory Memorandum that accompanies the notice convening this meeting, is approved."

2. AGPL Constitution Amendment Resolution

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, in accordance with section 136(2) of the Corporations Act, the document submitted to the meeting and signed by the Chairman of the meeting for the purpose of identification is adopted as the constitution of Abacus Group Projects Limited in substitution for the existing constitution of Abacus Group Projects Limited (which is repealed), with effect on the date on which an order of the Supreme Court of New South Wales is made confirming that Abacus is justified in implementing the merger in accordance with the Explanatory Memorandum."

3. AGPL Share Conversion Resolution

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, in accordance with section 254H of the Corporations Act, each fully paid ordinary share in the capital of Abacus Group Projects Limited be converted into 0.78 fully paid ordinary shares, with effect on the Implementation Date as defined in the Explanatory Memorandum."

Notes

This notice should be read in conjunction with the Explanatory Memorandum that accompanies this notice. The Explanatory Memorandum contains an explanation of the resolutions and further information about the Merger.

Unless otherwise defined in this notice, terms used in this notice have the same meaning as set out in the Glossary in the Explanatory Memorandum.

Exercise of votes

The vote on the resolutions will be conducted by way of a poll. On a poll, a shareholder has one vote for every share that they hold in AGPL.

Shareholders entitled to vote

The Board has determined that a person's entitlement to attend and vote, either in person or by proxy, at the meeting will be the entitlement of that person set out in the register of holders of shares in AGPL at 10.00 am (Sydney time) on 12 February 2006. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Furthermore, each individual who is present at the meeting may vote if they are a shareholder in accordance with the paragraph above, or a recognised proxy, attorney or corporate representative of a shareholder.

Shareholders need not exercise all of their votes in the same way and need not cast all of their votes.

Voting of jointly held shares

If shares are jointly held by shareholders, only one of the joint holders is entitled to vote at the meeting. If more than one shareholder votes in respect of a jointly held share, only the first to vote is counted. If it is not practical to determine which was first, the earliest named in the register to exercise such right (to the exclusion of those named later) prevails.

Individuals

Shareholders must attend the meeting at least 30 minutes prior to the time designated for the meeting so that the number of their shares and their attendance can be confirmed.

Voting by corporations

In order to vote at the meeting (other than by proxy), a corporation that is a holder of shares must appoint a person to act as its representative. The appointment must comply with the Corporations Act. A letter of representation must be lodged with AGPL (marked to the attention of the Company Secretary).:

(a) at its registered office at Level 34 Australia Square 264-278 George Street Sydney; or

(b) by facsimile on 61 2 9253 8616

The letter of representation must be received by AGPL prior to the commencement of the meeting or the representative must bring to the meeting evidence of his or her appointment including any authority under which it is signed.

Voting by proxy

(a) A shareholder who is entitled to attend and cast a vote at the meeting may appoint a proxy. The following addresses and facsimile numbers are specified for the purpose of receipt of proxy appointments:

Computershare Investor Services Pty Ltd
Facsimile: 61 3 9473 2118
Level 3, 60 Carrington Street
Sydney NSW 2000

(b) A proxy need not be a shareholder.

(c) A shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

(d) To be effective, the instrument by which the proxy is appointed by a shareholder and, if the instrument is signed by the shareholder's attorney, the authority under which the instrument is signed or a certified copy of the authority, must be received by AGPL before 10.00 am on 14 February 2006.

(e) For more information concerning the appointment of proxies and the addresses to which proxy forms may be sent, please refer to the reverse side of the proxy form.

By order of the Board

Sean O'Donoghue
Company Secretary

Dated: 14 December 2005

Responsible entity of Abacus Income Trust

Abacus Funds Management Limited

Level 34 Australia Square

264-278 George Street

Sydney NSW 2000

T: 1800 253 860 (Australia)

61 2 9253 8600

F: 61 2 9253 8616

E: enquiries@abacusproperty.com.au

Abacus Group Projects Limited

Level 34 Australia Square

264-278 George Street

Sydney NSW 2000

Registry

Computershare Investor Services Pty Ltd

Level 3, 60 Carrington Street

Sydney NSW 2000

Legal Advisers

Abbott Tout Lawyers

Level 42 MLC Centre

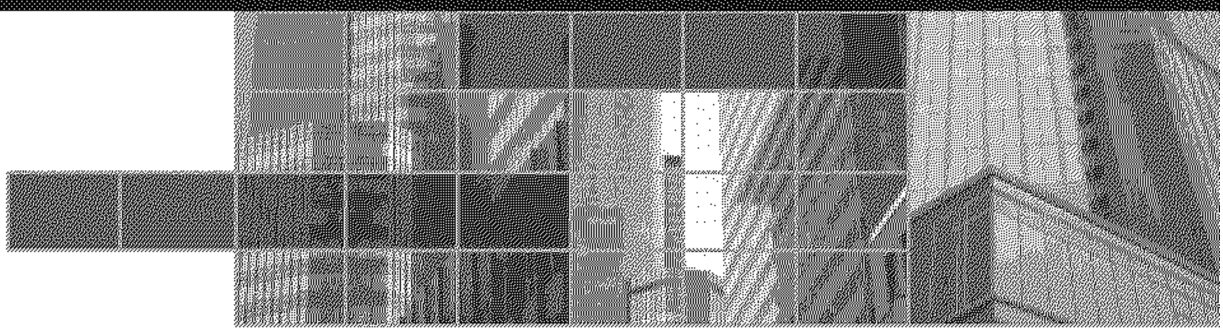
19 Martin Place

Sydney NSW 2000

www.abacusproperty.com.au

Abacus
PROPERTY GROUP

explanatory memorandum



In relation to a proposal to staple the securities of the Abacus Diversified Income Fund to the securities of the Abacus Property Group

Issued by:

Abacus Funds Management Limited ACN 007 415 590 AFSL 227819
as responsible entity of the Abacus Trust ARSN 096 572 128
and as responsible entity of the Abacus Income Trust ARSN 104 934 287

Abacus Group Holdings Limited ACN 080 604 619

and Abacus Group Projects Limited ACN 104 066 104

This document should be read in conjunction with the Overview for the entity (APG or ADIF) in which you hold securities.

This is an important document and requires your immediate attention. It should be read in its entirety. If you are in doubt as to what you should do, you should consult your financial adviser.

Key Defined Terms

In this document, the following terms have these meanings. A full glossary is at section 12 of the Explanatory Memorandum.

Abacus	Abacus Funds Management Limited
ADIF	Abacus Diversified Income Fund, made up of the Abacus Income Trust (AIT) and Abacus Group Projects Limited (AGPL)
APG	Abacus Property Group, made up of the Abacus Trust (AT) and Abacus Group Holdings Limited (AGHL)
Merged Group	The group that will result from Stapling the securities of AT, AGHL, AIT and AGPL to one another
Merged Group Stapled Security	Each Merged Group Stapled Security will comprise one AT unit, one Restructured AIT unit, one AGHL share and one Restructured AGPL share

PURPOSE OF THIS DOCUMENT

This document gives APG security-holders and ADIF security-holders details of the proposed Merger to form the 'new' Abacus Property Group.

The term 'Merger' is used to describe the process to staple the ADIF securities to the APG securities so that they will be traded together on the ASX under the name of 'Abacus Property Group'.

This Explanatory Memorandum also contains details of the assets and liabilities, financial position and performance and prospects of the Merged Group and the rights and liabilities attaching to the Merged Group Stapled Securities.

REGULATORY INFORMATION

The APG Overview, the ADIF Overview and this Explanatory Memorandum are all dated 14 December 2005. The APG Overview and this Explanatory Memorandum are a prospectus and a product disclosure statement issued by AGHL and Abacus (as responsible entity of AT) in respect of APG securities. The ADIF Overview and this Explanatory Memorandum are a prospectus and a product disclosure statement issued by AGPL and Abacus (as responsible entity of AIT) in respect of ADIF securities. The APG Overview, the ADIF Overview and the Explanatory Memorandum were lodged with ASIC on 14 December 2005 and have also been provided to the ASX. The fact that the ASX may agree to have the Merged Group Stapled Securities quoted is not to be taken in any way as an indication of the merits of the Merged Group or any of its constituent entities.

None of ASIC, the ASX or their respective officers takes any responsibility for the contents of this Explanatory Memorandum, the APG Overview or the ADIF Overview.

This Explanatory Memorandum, the APG Overview and the ADIF Overview do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

DISCLAIMER

An APG security-holder should read the APG Overview and the Explanatory Memorandum, and an ADIF security-holder should read the ADIF Overview and the Explanatory Memorandum, to assist them in considering the resolutions and determining how they want to vote.

The information in this Explanatory Memorandum, the APG Overview and the ADIF Overview do not take into account the investment objectives, financial situation, taxation position or needs of any particular APG security-holder or ADIF security-holder. It is important that APG security-holders read the APG Overview and the Explanatory Memorandum, and that ADIF security-holders read the ADIF Overview and the Explanatory Memorandum, before making any voting or investment decision. In particular, in considering the prospects of the Merged Group, it is important for APG security-holders and ADIF security-holders to consider the risk factors identified in section 4.5 of the Explanatory Memorandum that could affect the financial performance of the Merged Group. Past performance is no indication of future performance. APG security-holders and ADIF security-holders should carefully consider the risk factors in light of their particular investment objectives, financial situation, taxation position and individual needs. If APG security-holders or ADIF security-holders (or both) are in any doubt on these matters, they should consult their financial adviser before deciding how to vote on the Merger.

Please read all the documents carefully before deciding how to vote on the resolutions to give effect to the Merger, and complete and return the enclosed proxy form if you are unable to attend the meetings in person.

FORWARD LOOKING STATEMENTS

This Explanatory Memorandum, the APG Overview and the ADIF Overview include certain prospective financial information which has been based on current expectations about future events. The prospective financial information is subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information. Factors which may affect future financial performance include, among other things, those risks identified in section 4.5 of the Explanatory Memorandum, variations in the assumptions underlying the financial forecasts and other matters not currently known to, or considered material by Abacus.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of Abacus, its officers, any person named in this Explanatory Memorandum, the APG Overview or the ADIF Overview or any person involved in the preparation of this Explanatory Memorandum, the APG Overview or the ADIF Overview makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this Explanatory Memorandum, the APG Overview and the ADIF Overview reflect views held only as at the date of this document.

CONTENTS

Key Dates

Event	Indicative Date
Latest time and date for lodgment of proxy forms for APG security-holders' meetings	10.00 am on 12 February 2006
Time and date for determining eligibility to vote at APG security-holders' meetings	10.00 am on 12 February 2006
Time and date for determining eligibility to vote at ADIF security-holders' meetings	10.00 am on 12 February 2006
Latest time and date for lodgment of APG security-holders' corporate representative certificates	4.00 pm on 13 February 2006
Latest time and date for lodgment of proxy forms for ADIF security-holders' meetings	Before 10.00 am on 14 February 2006
ADIF security-holders' meetings	10.00 am on 14 February 2006
APG security-holders' meetings	10.00 am on 14 February 2006
Second Court hearing in relation to judicial advice	10.00 am on 20 February 2006
ADIF Preliminary Record Date – time and date for determining ADIF Foreign security-holders Latest time for ADIF to register transfers of existing ADIF securities	5.00 pm on 10 March 2006
Effective Date Last day of trading in existing APG securities Last day of cum-entitlement trading in APG securities for distribution for the quarter ending 31 March 2006 Quotation of existing APG securities suspended at the close of trading	17 March 2006
Commence trading in Merged Group Stapled Securities on a deferred settlement basis (ASX code: ABP)	20 March 2006
Stapling Record Date – time and date for determining entitlements to Merged Group Stapled Securities Time and date for determining APG Foreign security-holders Record date for distributions for the quarter ending 31 March 2006 Latest time and date for APG to register transfers of existing APG securities	5.00 pm on 24 March 2006
Implementation Date – date on which new securities are issued Date on which APG securities and ADIF securities are Stapled together to form Merged Group Stapled Securities Despatch of holding statements for Merged Group Stapled Securities Deferred settlement trading ceases at the close of trading	31 March 2006
Trading in Merged Group Stapled Securities on a normal T + 3 basis commences (ASX code: ABP)	3 April 2006
Settlement of all deferred trades from 20 March 2006 to 31 March 2006 and all normal trades conducted on 3 April 2006	6 April 2006
Latest date for Stockbroker to sell Merged Group Stapled Securities on behalf of APG security-holders and ADIF security-holders under the Sale Facility	14 April 2006
Latest date for Stockbroker to pay the proceeds of the sale of Merged Group Stapled Securities to Foreign security-holders	20 April 2006
Payment date for distributions for quarter ending 31 March 2006	10 May 2006

All times and dates following the date of the security-holders' meetings are indicative only and may change because of reasons outside of the control of Abacus, AGHL or AGPL.

Any changes to the above timetable will be announced to ASX and notified to security-holders on the Abacus website at **www.abacusproperty.com.au**

1 DETAILS OF THE MERGER

1.1 Background to and overview of the Merger

APG is a listed diversified property group, made up of AT and AGHL, with four core businesses:

- portfolio of investment properties;
- funds management and asset management businesses;
- portfolio of secured loans;
- property-based projects and other investments.

ADIF is an unlisted diversified property group, made up of AIT and AGPL, with two core businesses:

- portfolio of investment properties
- portfolio of secured loans

Abacus is the responsible entity of AIT and AT and is the manager of AGPL and AGHL pursuant to management agreements entered into between Abacus and AGHL and between Abacus and AGPL. The directors of AGPL are also directors of AGHL.

APG and ADIF share the common objective of building a diversified portfolio of property-based assets to provide a reliable income and potential for capital growth. It was the stated intention of Abacus to grow ADIF to a sufficient size to enable its listing on the ASX to provide liquidity to investors.

Recent market conditions have increased the difficulty of securing quality properties at yields which benefit both APG and ADIF. Indeed, the continued strength of the property market and consequent yield compression has meant that growth through property acquisition has become increasingly difficult to achieve without reducing the income distribution to existing security-holders or compromising the investment quality of the portfolio.

The Merger is considered to be a positive step for both APG security-holders and ADIF security-holders, resulting in a listed diversified property group with assets of over $835 million (on a pro forma basis). The increase in size is expected to lead to greater interest in the Merged Group Stapled Securities by the broader market and increase the potential for inclusion in relevant ASX indices. It also provides a strong platform from which to pursue future growth opportunities.

Further information on APG and ADIF is provided at sections 2 and 3 of this Explanatory Memorandum respectively.

1.2 Merger mechanics

The Merger is to be achieved as follows:

- existing ADIF securities will be consolidated to form Restructured ADIF securities;
- a distribution will be made by AT to AT unitholders;
- a distribution will be made by AIT to AIT unitholders;
- new APG securities will be issued by APG to ADIF security-holders;
- new ADIF securities will be issued by ADIF to APG security-holders; and
- the APG securities and the ADIF securities will be stapled together and jointly quoted on the ASX.

Following the proposed Merger, the Merged Group will be known as Abacus Property Group and will trade on the ASX under the code ABP.

The full details of the mechanics of the Merger are set out in section 9 of this Explanatory Memorandum.

1.3 Implementation of the Merger for ADIF security-holders

If the Merger proceeds, on the Implementation Date, existing ADIF securities will be consolidated to 0.78 Restructured ADIF securities. ADIF security-holders will receive one Merged Group Stapled Security for each Restructured ADIF security held on the Stapling Record Date.

For example, if you hold 1,000 ADIF securities on the Stapling Record Date, you will hold 780 Merged Group Stapled Securities after the Merger is implemented made up of 780 AT units, 780 AGHL shares, 780 Restructured AIT units and 780 Restructured AGPL shares.

The Merged Group Stapled Securities may be sold on ASX after the Implementation Date. The last date for registration of transfer of ADIF securities prior to the Merger will be 10 March 2006.

Foreign security-holders are not eligible to receive Merged Group Stapled Securities. Legal title to ADIF securities held by all Foreign security-holders will be transferred to the Stockbroker to deal with under the Sale Facility in accordance with section 9.7 of the Explanatory Memorandum.

1.4 Implementation of the Merger for APG security-holders

If the Merger proceeds, APG securities will be suspended from trading on the Effective Date. On the Implementation Date, APG security-holders will receive one Merged Group Stapled Security for each APG security held on the Stapling Record Date.

For example, if you held 1,000 APG securities on the Stapling Record Date, after the Implementation Date you will hold 1,000 Merged Group Stapled Securities, comprising 1,000 AT units, 1,000 AGHL shares, 1,000 Restructured AIT units and 1,000 Restructured AGPL shares.

The Merged Group Stapled Securities may be sold on ASX after the Implementation Date.

Foreign security-holders are not eligible to receive Merged Group Stapled Securities. Legal title to APG securities held by all Foreign security-holders will be transferred to the Stockbroker to deal with under the Sale Facility in accordance with section 9.7 of the Explanatory Memorandum.

1.5 Security-holders who do not wish to participate in the Merger

ADIF security-holders who do not wish to participate in the Merger may seek to sell their ADIF securities at any time[1]. However, transfers will not be registered after 10 March 2006.

ADIF security-holders who transfer their ADIF securities before the ADIF Preliminary Record Date will not be entitled to receive the distribution for the quarter ending 31 March 2006 if the transfer is registered before the ADIF Preliminary Record Date.

APG security-holders who do not wish to participate in the Merger may sell their APG securities on the ASX on or before the last day of trading in APG securities. Please note that the meetings to consider the Merger are on 14 February 2006 and the last day of trading in APG securities is 17 March 2006.

APG security-holders who transfer their APG securities before the Stapling Record Date will not be entitled to receive the distribution for the quarter ending 31 March 2006 if the transfer is registered before the Stapling Record Date.

All security-holders may sell their Merged Group Stapled Securities on the ASX after the Implementation Date.

1.6 Conditions of the Merger

The Merger will not be implemented unless a number of conditions precedent are satisfied. The conditions are as follows:

Approval of APG resolutions by APG security-holders	14 February 2006
Approval of ADIF resolutions by ADIF security-holders	14 February 2006
Confirmation from the Court that Abacus may act on the trust resolutions	17 February 2006

In addition, the Implementation Deed must not have been terminated by any party prior to the Court making the orders. A summary of the Implementation Deed including the termination rights is set out in section 9 of this Explanatory Memorandum.

1.7 If the Merger does not proceed

If the Merger does not proceed, both APG and ADIF will continue as separate entities. The costs incurred in relation to the Merger will be borne proportionally, approximately 83% by APG and approximately 17% by ADIF.

The costs that will be shared if the Merger does not proceed are forecast to be approximately $600,000. This amount reflects legal, taxation and financial advisers, accounting and independent expert costs, application fees to regulatory authorities as well as issue costs of the Merger documents.

1. ADIF securities are illiquid. ADIF security-holders have no right to require that their interest be bought or redeemed by Abacus or anyone else.

2 PROFILE OF APG

2.1 Introduction

APG was formed in August 2001 from the merger of a number of trusts and a small development company established between 1996 and 1999 which were under the management of Abacus. Initial total assets of approximately $280 million included eight investment properties and a portfolio of mortgage loans.

From its formation in August 2001 until listing on the ASX in November 2002, APG acquired four additional properties, raised approximately $95 million in additional equity and acquired Abacus to form an internally managed, diversified property group.

Since listing with total assets of over $425 million, APG has grown its total assets to over $617 million and total contributed equity to over $404 million and now has over $1 billion in assets under management. While the majority of APG security-holders remain retail investors, a series of placements over the past 18 months has seen institutional representation on the register increase to over 35%. Further capital raisings will be undertaken as required to fund new growth opportunities.

The value of APG securities adopted by the Independent Expert is $1.40 per APG security. The pro forma NTA per APG security as at 30 June 2005 is $1.09 while the forecast distribution for the year ending 30 June 2006 is 11.80 cents per APG security, paid quarterly. This reflects an increase in the quarterly distribution to 3.00 cents per APG security from 1 January 2006.

Historical and forecast financial information on APG is provided in section 5 of this Explanatory Memorandum. It includes a sensitivity analysis of the forecasts to possible future events, including further equity raisings (section 5.7).

2.2 Property portfolio

APG has a diversified property portfolio which is primarily located in New South Wales. The following table sets out a summary of the APG property portfolio and its carrying value as at 30 September 2005 (other than one property acquired in October 2005). A synopsis of each property follows.

			$ million
Ashfield Mall + adjacent property, Ashfield	NSW	retail	106.79
Epping Office Park, Beecroft Road, Epping	NSW	commercial	44.00
Liverpool Plaza + adjacent property, Liverpool[1]	NSW	retail	40.78
50 Miller Street, North Sydney	NSW	commercial	38.67
109 Pitt Street, Sydney	NSW	commercial	17.60
10 Pike Street, Rydalmere	NSW	industrial	17.00
431 Glebe Point Road, Glebe	NSW	commercial	12.56
Villawood Industrial Estate	NSW	industrial	8.16
4-8 Jacobs Street, Bankstown	NSW	commercial	4.90
Santos House, Adelaide (50%)	SA	commercial	51.02
CSIRO, Canberra	ACT	commercial	15.20
TOTAL			356.68

1. 77 Moore Street, Liverpool was acquired in October 2005 and is included at valuation.

Ashfield Mall, Liverpool Road Ashfield NSW

This sub-regional shopping centre is located 10 kilometres south-east of the Sydney CBD. The fully enclosed four level building includes major supermarkets and discount retailers as well as over 80 specialty shops. The centre includes 650 undercover car spaces, and a further 400 rooftop spaces. A refurbishment program is currently underway.

Valuation - $99.30 million June 2005

Land area - 21,890 m2

GLA - 26,044 m2

Occupancy - 99.5%

Major tenants - Coles, Kmart and Franklins

Lease expiry -	2005/06	5.0%
	2006/07	3.6%
	2007/08+	91.4%

Property adjacent to Ashfield Mall

244 and 252-256 Liverpool Road Ashfield NSW are small retail properties which lie between the mass of Ashfield Mall and Liverpool Road.

APG is preparing an application to develop approximately 4,000 m2 of commercial, child care and additional retail accommodation as well as residential units.

Valuation (as is) - $6.9 million June 2005

Santos House 91 King William Street, Adelaide SA

This premium grade commercial property is located in the centre of Adelaide and has four street frontages. The property includes a 31 level office tower, two small office buildings and various pedestrian thoroughfares and 60 parking spaces.

APG has a 50% interest in Santos House through a joint venture with SAITysMcMahon.

Valuation (50%) - $51.0 million June 2005

Land area - 4,287 m2

NLA - 31,678 m2

Occupancy - 96%

Major tenants - Santos, Price Waterhouse Coopers, ASX, Ernst & Young and Servcorp

Lease expiry-	2005/06	3.4%
	2006/07	66.1%
	2007/08+	30.5%

Santos has announced it will vacate this property when its lease expires in June 2007. Discussions are already underway with prospective tenants to ensure that the majority of the 17,380 m2 space to become available will be re-leased within an appropriate timeframe.

Liverpool Plaza, 165-191 Macquarie Street Liverpool NSW

This neighbourhood shopping centre has a prime location on the Macquarie pedestrian mall in the Liverpool CBD. The fully enclosed centre comprises ground floor retail, mezzanine level offices and an open rooftop carpark with 250 spaces.

Valuation - $32.6 million June 2005

Land area - 8,904 m2

NLA - 6,332 m2

Occupancy - 100%

Major tenants - Franklins, St George, NAB, ANZ, Westpac, NIB, Medicare, McDonalds and Gloria Jeans

Lease expiry -	2005/06	12.6%
	2006/07	6.6%
	2007/08+	80.8%

Property adjacent to Liverpool Plaza

193 Macquarie Street and 77 Moore Street Liverpool lie adjacent to Liverpool Plaza on total land area of 1,981m2. Their acquisition provides scope to expand total net lettable area of the Plaza to approximately 11,000 m2 and significantly increase parking (STCA).

Valuation (adjoining owner) - $7.3 million September 2005

Epping Office Park, Beecroft Road Epping NSW

This office complex located 20 kilometres north-west of the Sydney CBD comprises four separate buildings in a landscaped environment with sporting facilities.

Valuation - $44.0 million June 2005

Land area - 13,389 m2

NLA - 12,350 m2

Occupancy - 95%

Major tenants - AMP, Carter Holt Harvey, NEC Australia Caroma/GWA

Lease expiry -	2005/06	5.2%
	2006/07	12.1%
	2007/08+	82.7%

50 Miller Street North Sydney NSW

This property comprises 10 floors of office space and 6 ground level retail units. Parking for 76 cars is provided in the basement of an adjacent building under separate title. A refurbishment program will be undertaken on expiry of the Optus lease.

Valuation - $38.6 million June 2005

Land area - 1,487 m2

NLA - 10,594 m2

Occupancy - 100%

Major tenant - Cable and Wireless Optus Limited

Lease expiry - October 2007

CSIRO Headquarters, Limestone Avenue Canberra ACT

The CSIRO head office and related facilities occupy an elevated site two kilometres to the east of the Canberra CBD. Improvements include a five level office building with attached single level conference centre, a two level administration building and parking for 350 cars.

Valuation - $15.2 million June 2005

Land area - 40,100 m2

NLA - 7,215 m2

Occupancy -100%

Tenant - CSIRO

Lease expiry - 2012 + four 10 year options

431 Glebe Point Road, Glebe NSW

This six storey office building is located close to the harbour in a primarily residential area three kilometres west of the Sydney CBD.

Development approval has been granted to convert the building to 59 residential apartments, hence leases within the property are either short-term or contain development clauses.

Valuation - $12.5 million December 2003

Land area - 2,415 m2

NLA - 5,415 m2

Occupancy - 72%

10-12 Pike Street Rydalmere NSW

This property comprises two older style industrial buildings and is located on the Parramatta River two kilometres east of the Parramatta CBD and 21 kilometres west of the Sydney CBD. It has potential to be redeveloped as strata industrial units.

Valuation - $17.0 million June 2005

Land area - 38,000 m2

GLA - 18,103 m2

Occupancy - 100%

Tenant - Waco Kwikform Limited

Lease expiry - 2008 + 5 year option

4-8 Jacobs Street, Bankstown NSW

Located close to transport and shopping facilities, this property comprises two levels of commercial accommodation and one level of basement parking. Bankstown is located 20 kilometres west of the Sydney CBD.

Valuation - $4.9 million June 2005

Land area - 1,847 m2

NLA - 1,849 m2

Occupancy - 100%

Major tenant - Centacare (65%)

Major tenant's lease expiry - 2012 + 5 year option

109 Pitt Street Sydney NSW

Purchased in early 1999, this centrally located property has provided an excellent income stream while the Abacus team has worked to realise its full potential.

Following the subdivision and sale of the retail arcade and leasehold interest in the basement carpark in 2002, the 20 level office tower has been extensively refurbished. The floor by floor subdivision has allowed the progressive sale of strata as the refurbishment program has been completed. Over 7,500 m2 has been sold to date.

Valuation (book value) - $17.6 million September 2005

Remaining area to be sold - approximately 3,800 m2

Villawood Industrial Estate, 66 Christina Road Villawood NSW

Located 25 kilometres south-west of the Sydney CBD with good access to major roads, this property includes two industrial buildings and 3,000 m2 of unimproved land. The property will be revalued when the current repositioning has been completed.

Valuation - $7.5 million January 2002

Land area - 35,000 m2

GLA - 18,477m2

Occupancy - 100%

Major tenants - BF Goodrich P/L, Primac Pastoral, Australian Wool Network P/L

Lease expiry -	2005/06	17.1%
	2006/07	82.9%

2.3 Funds Management

Funds management is a significant component of the business of APG, providing recurring fee income from the provision of management and other services. Assets under management presently exceed $1 billion.

Abacus utilises the skills and market presence of its property specialists to identify and package investment opportunities for retail and other clients and leverages its strong balance sheet to provide working capital to acquire assets ahead of the receipt of funds from investors. By providing a range of high quality investment opportunities, Abacus is able to maintain strong relationships with over 1,500 financial planners and contribute to the investment objectives of over 10,000 clients.

Over the past 12 months, Abacus has launched a number of new investment opportunities:

- Abacus Wodonga Land Fund and Abacus Wodonga Mortgage Fund provided investors with the opportunity to participate in the subdivision of a 132 hectare estate in central Wodonga
- Abacus Retirement Living Trust provided investors with the opportunity to participate in the development of retirement accommodation in the Melbourne bayside suburbs of Brighton and Hampton
- Abacus Storage Fund provides investors with the opportunity to participate in the benefits of holding a portfolio of self storage facilities throughout Australia and New Zealand.

Abacus Storage Fund is an open-ended fund and was launched with initial assets of over $100 million. The initial offer document for the Fund was issued on 4 November 2005. A major focus for Abacus over the next 12 months will be the acquisition of additional storage assets and the raising of equity for this Fund.

Plans for the formation of a hotel trust were announced in late October 2005 at the time APG entered into a contract to purchase the Novotel Twin Waters Resort on Queensland's Sunshine Coast for $58 million. An extended settlement has been negotiated for acquisition of the 4 star family resort, which is located close to a surf beach and championship golf course as well as the airport.

2.4 Mortgage Lending

APG advances secured loans to generate interest and fee income. A highly experienced team is involved in the selection and management of the diversified loan portfolio.

APG provides both first mortgage and mezzanine funding to a diverse group of investors, with each loan secured against real property assets. Additional collateral security is often obtained to supplement mortgage security. Funds are also advanced to support existing and new Abacus funds management products in advance of equity being raised from investors.

2.5 Projects and other property-related investments

APG has generated a pipeline of diversified projects to provide ongoing earnings from fees and profit participation. Projects are structured to minimise risk to Abacus, which does not take a significant equity position in any one transaction but participates as sponsor, partner, facilitator or financier.

Many projects are undertaken through joint venture arrangements, enabling Abacus to combine its property skills and capital base with the specific industry expertise or local property knowledge of its network of strategic partners across Australia.

Joint venture projects which demonstrate APG's approach to building a pipeline of income include:

- A project to build 23 residential dwellings on an infill site at Telak Close in Willoughby, Sydney.
- Amalgamation of an 11,100 m2 site opposite the Highett railway station in Melbourne and the procurement of an approval for a mixed use development.
- A 90 lot residential subdivision in Pakenham, Victoria to be sold down over approximately 24-30 months.
- The purchase on extended terms of a 56 hectare site with potential to ultimately yield 600 residential lots, also in Pakenham, Victoria.

APG has a preference for participation in a number of moderately sized joint venture projects rather than taking large individual exposures.

3 PROFILE OF ADIF

3.1 Introduction

ADIF is an unlisted diversified property group, made up of AIT and AGPL whose securities are Stapled, established to acquire property assets, generally valued at between $5 million to $20 million, to provide reliable income with potential for capital growth. Returns from the property portfolio have been enhanced by investment in secured loans and development opportunities.

ADIF was launched in June 2003 with an initial portfolio of over $60 million, which has grown to more than $240 million as at the date of this document. This growth has been facilitated by APG, which has provided and continues to provide funds in advance of the raising of equity to enable the acquisition of additional assets.

Equity of over $100 million has been raised under two offer documents, the second closing in December 2004. Securities were issued at $1.00 per ADIF security under the first offer document and $1.02 per ADIF security under the second offer document. The NTA per ADIF security at 30 June 2005 (on a pro forma basis) is 98 cents while the forecast distribution for the year ending 30 June 2006 is 9.25 cents per ADIF security, paid quarterly.

Historical and forecast financial information on ADIF is provided in section 5 of this Explanatory Memorandum.

3.2 Property portfolio

ADIF has a highly diversified property portfolio spread across the eastern States and a variety of property sectors. The following table sets out a summary of the ADIF property portfolio and its carrying value as at 30 September 2005 (other than one property acquired in October 2005). A synopsis of each property follows.

			$ million
23 Tattersall Road, Kings Park	NSW	industrial	15.80
109 Pitt Street Carpark, Sydney	NSW	carpark	13.05
367 Peel Street, Tamworth	NSW	retail	11.42
8 Station Street, Wollongong	NSW	commercial	11.00
Lennons Plaza, Queen Street, Brisbane	QLD	hotel/retail/commercial	34.18
Rydges Esplanade Resort Cairns (75%)	QLD	hotel	18.01
31 Windorah Avenue, Stafford	QLD	industrial	5.10
671 Gympie Road, Chermside	QLD	commercial	4.60
26 Savage Street, Pinkenba	QLD	industrial	3.30
681 Curtin Street, Pinkenba	QLD	industrial	3.00
500 Princes Highway, Noble Park	VIC	industrial	18.10
1-5 Lake Drive, Dingley	VIC	industrial	12.60
36-52 National Boulevard Campbellfield	VIC	industrial	8.82
Mertz Apartments, Mawson Lakes	SA	residential	6.86
Abacus Retail Property Trust[1]	various	retail	38.11
TOTAL			203.95

1. A schedule of properties held by the Abacus Retail Property Trust is set out on page 12.

Lennons Plaza 66 Queen Street Brisbane QLD
This 30 level integrated hotel / retail / commercial development is located in the retail heart of Brisbane and includes basement parking for 57 cars.

Valuation - $34.15 million June 2005

Land area - 1,227 m2

NLA - 5,369 m2 plus 154 hotel rooms

Occupancy (retail/commercial) - 98%

Tenants and lease expiry -
Chifley at Lennons Hotel (45%)
2011

Retail (29%)

Weighted average 2 years

Commercial (26%)

Weighted average 2 years

8 Station Street Wollongong NSW
Commercial property provides four levels of office accommodation and secure parking for 45 cars located close to Wollongong CBD and train station.

Valuation - $11.00 million June 2005

Land area - 1,935 m2

NLA - 3,907 m2

Occupancy - 100%

Tenant - RAN Hydrographic Service

Lease expiry - 2011+ two 5 year options

23 Tattersall Road Kings Park NSW
Industrial property featuring interconnected factory and warehouse facilities located in western Sydney close to key arterial routes including the M2, M4, M5 and proposed Western Sydney Orbital.

Valuation - $15.80 million June 2005

Land area - 35,160 m2

GLA - 18,349 m2

Occupancy - 100%

Tenant - Dexion Holdings Pty Ltd

Lease expiry - 2016 with two 5 year options

Rydges Esplanade Resort Cairns QLD
ADIF has a 75% interest in this 4.5 star hotel including health club, restaurants, meeting rooms and ancillary facilities. The remaining 25% is held by CEC Limited, a listed construction and development company.

Valuation - $25.5 million June 2005

Land area - 12,000 m2 approximately

Accommodation - 242 rooms plus ancillary facilities

Manager - Rydges Hotels Limited

Management Agreement expiry - 2014

671 Gympie Road Chermside QLD
This two level commercial property includes a small ground level retail component and 50 car spaces and is located in a commercial precinct in a residential suburb 9 kilometres north of Brisbane CBD.

Valuation - $4.60 million June 2005

Land area - 3,998 m2

NLA - 2,491 m2

Occupancy - 94%

Tenants - Foresenius Medical Care Australia, GE Personal Finance, Manpower Services Australia, Workpac, Capital Corp Leasing & Finance

Lease expiry -	2005/06	10.5%
	2006/07	25.5%
	2007/08+	64.0%

1-5 Lake Drive Dingley VIC
Improvements comprise modern office/factory/warehouse facilities and parking for 222 vehicles in an established industrial precinct 22 kilometres south east of the Melbourne CBD.

Valuation - $12.60 million June 2005

Land area - 39,765 m2

NLA - 17,056 m2 plus 985 m2 awning

Occupancy - 100%

Tenant - DSG Pty Ltd

Lease expiry - 2018 + two 5 year options

26 Savage Street Pinkenba QLD

Pinkenba is 10 kilometres from Brisbane CBD and close to Brisbane Airport, rail, port and major roads. ADIF owns the land while ownership of the improvements lie with the tenant (but revert to the lessor if not removed at the end of the lease term).

The improvements on this property include a warehouse, storage facilities, amenities and office buildings.

Valuation - $3.30 million June 2005

Land area - 23,490 m2

GLA - 5,859 m2

Occupancy - 100%

Tenant - Summit Rural Australia Pty Ltd

Lease expiry - 2019

500 Princes Highway Noble Park VIC

Industrial complex including substantial office accommodation, high tech laboratory and modern warehouse facilities located 24 kilometres southeast of Melbourne CBD.

Valuation - $18.10 million June 2005

Land area - 42,220 m2

GLA - 14,676 m2

Occupancy - 100%

Tenants and lease expiry

BASF Australia Limited

2010 + two 3 year options

Boron Molecular Pty Ltd

2007 + 3 year option

Patrick Distribution Pty Ltd

2007 + 5 year option

36-52 National Boulevard Campbellfield VIC

Modern industrial facility located 17 kilometres north of Melbourne CBD close to the Hume Highway.

Valuation - $8.45 million June 2005

Land area - 21,000 m2

GLA - 11,703 m2

Occupancy - 100%

Tenant - Whitley Marine Industries Pty Ltd

Lease expiry - 2017 + two 6 year options

681 Curtin Street Pinkenba QLD

Pinkenba is 10 kilometres from Brisbane CBD and close to Brisbane Airport, rail, port and major roads. ADIF owns the land while ownership of the improvements lie with the tenant (but revert to the lessor if not removed at the end of the lease term).

The specialised improvements include two substantial buildings with gantry cranes and ceiling heights of 10 and 20 metres.

Valuation - $3.00 million June 2005

Land area - 19,410 m2

GLA - 4,735 m2

Occupancy - 100%

Tenant - Saint-Gobain Ceramic Materials Pty Ltd

Lease expiry - 2012

31-33 Windorah Street Stafford QLD

This office and warehouse facility located 7 kilometres northwest of the Brisbane CBD is used for the warehousing and distribution of books.

Valuation - $5.10 million June 2005

Land area - 21,560 m2

GLA - 6,350 m2

Occupancy - 100%

Tenant - John Wiley & Sons Australia Limited

Lease expiry - 2009 + 6 year option

Mertz Apartments, 9-14 Yates Street Mawson Lakes SA

Purpose-built in 2003 for student accommodation, this property is within a short walk of the Mawson Lakes Campus of the University of SA and is approximately 12 kilometres north of the Adelaide CBD.

New lease arrangements are currently being negotiated with an alternate operator as notice has been provided that the existing tenant may go into administration.

Valuation - $6.3 million May 2005

Land area - 3,135 m2

Accommodation - 39 accommodation units offering a total of 105 bedrooms

Occupancy - 100%

Tenant - University of SA Student Housing Association

Lease expiry - 2014

367 Peel Street, Tamworth NSW	Carpark, 109 Pitt Street, Sydney NSW
Comprising a Target Department Store and three specialty shops, this property is in the centre of Tamworth, in north-western NSW. Valuation - $11.40 million June 2005 Land area - 6,098 m2 NLA - 8,179 m2 Occupancy -100% Major Tenant - Target Discount Department Store Lease expiry - 2018 + two 5 year options	Located in the heart of the Sydney CBD, the Carpark spans over three basement levels and operates six days a week. AIT has a 300 year leasehold interest in the Carpark effective from 30 June 2003. Abacus Property Services Pty Limited occupies the Carpark under a sub-lease agreement. Valuation - $13.05 million June 2005 Land area - 1,329 m2 Parking - 143 vehicles (valet parking)

Abacus Retail Property Trust

The Abacus Retail Property Trust (ARPT) holds a portfolio of small shopping centres through a joint venture with Metcash Trading Limited. The shopping centres are mostly located in regional areas of Queensland, NSW and Victoria and are anchored by IGA supermarkets with long-term leases. The joint venture is 75% owned by the ARPT and now owns, or has committed to purchase, eight properties valued in total at over $38 million.

Abacus Retail Property Trust Property portfolio		Carrying value as at 30 September2005 $ million
50 Mostyn Street Castlemaine	VIC	8.08
85-95 Victoria Street, Eaglehawk	VIC	6.17
12-18 Docker Street, Wangaratta[1]	VIC	3.00
Gympie Market Place, 12 Reef Street Gympie	QLD	7.35
96-98 Victoria Road, St George	QLD	3.11
22 Queen Street, North Bundaberg	QLD	5.68
218 Howick Street Bathurst	NSW	3.48
29-33 Marshall Street Cobar	NSW	1.24
TOTAL		38.11

1. The Wangaratta property was acquired in October 2005 and is included at valuation.

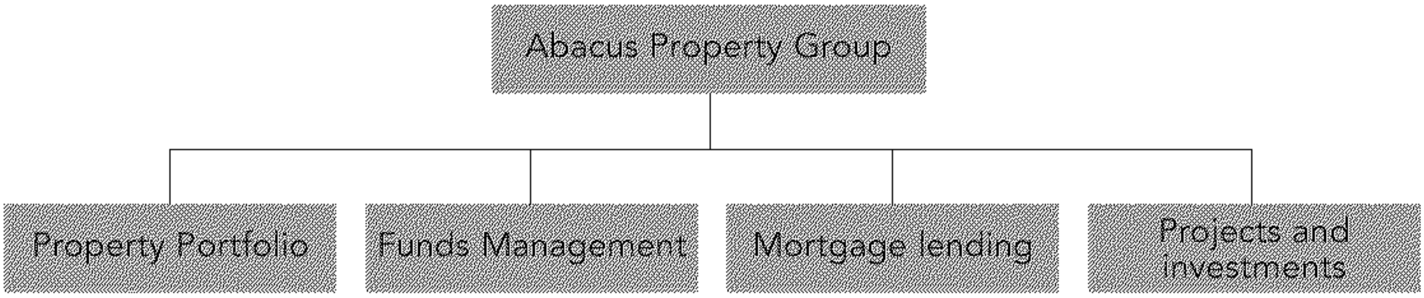
4 PROFILE OF PROPOSED MERGED GROUP

4.1 Introduction

The Merged Group will be an internally managed, diversified property group listed on the ASX. It will have:

- a market capitalisation of over $650 million (based on an assumed security price of $1.40);
- total assets of over $835 million and net assets of over $550 million; and
- forecast net profit after tax of over $55 million for the year ending 30 June 2006 (on a pro forma basis and before property revaluations and financial instrument fair value movements).

The Merged Group's core business activities if the Merger proceeds will be substantially the same as the activities of the existing APG, as reflected in the following diagram:



Property Portfolio	Funds Management	Mortgage lending	Projects and investments
Mix of industrial, retail, commercial and leisure assets located in NSW, QLD, SA, ACT and Victoria.	Over $1 billion in assets under management. 10 year track record and strong relationships with over 1,500 financial advisers and more than 10,000 retail investors.	High quality, diversified loan portfolio secured by mortgages and supplementary security. Highly experienced management team.	Diversified portfolio of projects and investments. Network of strategic business partners with local and/or industry expertise.

4.2 Strategy

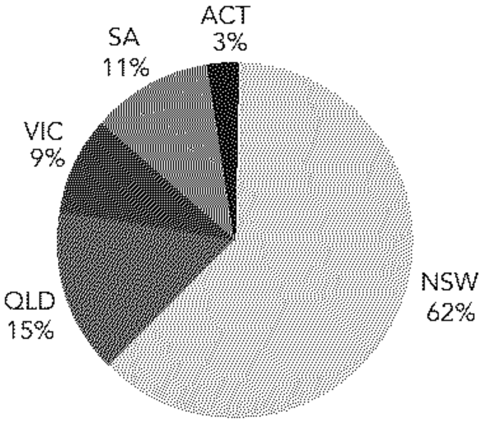
The Merged Group will continue the current strategy of APG, which is based on the growth of recurrent income from the property portfolio, funds management and mortgage businesses supplemented by the potential for out-performance through joint venture and strategic investment activities.

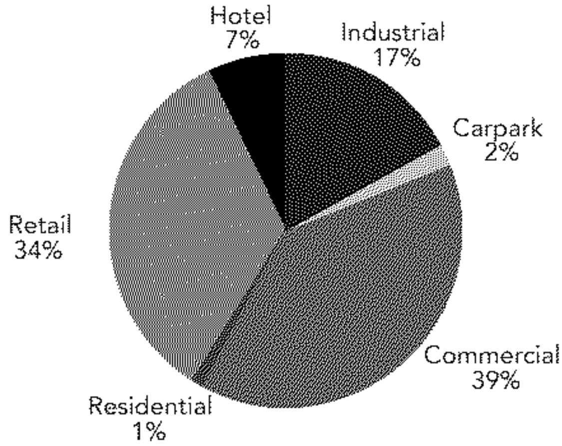
In particular, the Merged Group will seek to acquire new investment property assets where opportunities arise and launch new funds management initiatives. A particular focus over the next 12 months is expected to be the development of the Abacus Storage Fund, the offer document for which was issued in November 2005.

In order to fund the acquisition of new property assets, whether for the investment portfolio or for funds management vehicles, the Merged Group will raise additional capital as required from debt and equity markets. An analysis of the sensitivity of the forecasts for the Merged Group to an equity raising is set out at section 5.7.

4.3 Property Portfolio

The total property portfolio will have assets with a carrying value as at 30 September 2005 of approximately $561 million, diversified across retail, industrial, commercial, carpark and leisure properties located in NSW, Queensland, Victoria, the ACT and South Australia.





Combined property portfolio			$ million
Ashfield Mall + adjacent property, Ashfield	NSW	retail	106.79
Epping Office Park, Beecroft Road, Epping	NSW	commercial	44.00
Liverpool Plaza + adjacent property, Liverpool	NSW	retail	40.78
50 Miller Street, North Sydney	NSW	commercial	38.67
109 Pitt Street, Sydney	NSW	commercial	17.60
10 Pike Street, Rydalmere	NSW	industrial	17.00
23 Tattersall Road, Kings Park	NSW	industrial	15.80
431 Glebe Point Road, Glebe	NSW	commercial	12.56
109 Pitt Street Carpark, Sydney	NSW	carpark	13.05
367 Peel Street, Tamworth	NSW	retail	11.42
8 Station Street, Wollongong	NSW	commercial	11.00
Villawood Industrial Estate	NSW	industrial	8.16
4-8 Jacobs Street, Bankstown	NSW	commercial	4.90
Abacus Retail Property Trust	various	retail	38.11
Lennons Plaza, Queen Street, Brisbane	QLD	hotel/retail/commercial	34.18
Rydges Esplanade Resort Cairns (75%)	QLD	hotel	18.01
31 Windorah Avenue, Stafford	QLD	industrial	5.10
671 Gympie Road, Chermside	QLD	commercial	4.60
26 Savage Street, Pinkenba	QLD	industrial	3.30
681 Curtin Street, Pinkenba	QLD	industrial	3.00
Santos House, Adelaide (50%)	SA	commercial	51.02
Mertz Apartments, Mawson Lakes	SA	residential	6.86
500 Princes Highway, Noble Park	VIC	industrial	18.10
1-5 Lake Drive, Dingley	VIC	industrial	12.60
36-52 National Boulevard Campbellfield	VIC	industrial	8.82
CSIRO, Canberra	ACT	commercial	15.20
TOTAL			560.63

Information on the individual properties is set out at sections 2.2 and 3.2.

Information on the funds management activities and development projects of the Merged Group is provided at sections 2.3 and 2.5.

4.4 Corporate Governance

Corporate governance of the Merged Group will be the responsibility of the boards of Abacus (as responsible entity of AT and AIT), AGHL and AGPL.

4.4.1 Boards of directors

	Abacus	AGHL	AGPL
John Thame	Chair	Chair	
Frank Wolf	Executive Deputy Chair	Executive Deputy Chair	Executive Chair
Phillip Green	Non-executive	Non-executive	
Malcolm Irving	Non-executive	Non-executive	
Dennis Bluth	Non-executive	Non-executive	
David Bastian	Managing Director	Executive director	Executive director
Len Lloyd		Executive director	Executive director

MR JOHN THAME

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 chairman of St George Bank and a director of Reckon Limited and Village Building Co. Ltd.

DR FRANK WOLF

Dr Frank Wolf has over 20 years experience in the property and financial services industries, including involvement in retail, commercial, industrial and hospitality-related assets in Australia, New Zealand and the United States. Dr Wolf has been instrumental in over $2 billion worth of property-related transactions, corporate acquisitions and divestments and has financed specialist property-based assets in the retirement and hospitality sectors. Dr Wolf is also 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 listed diversified investment company.

MR DAVID BASTIAN

Mr David Bastian has over 30 years experience in the property and financial services industries, with a particular focus on the packaging and management of commercial, retail and residential property projects. He was Managing Director of Pembroke Financial Planners Limited for 3 years, merging this company with Godfrey Weston Limited in 1995 to form Godfrey Pembroke Financial Services Limited. He established Abacus Funds Management Limited in 1996 and is also a director of FSP Group Pty Limited, Vector Financial Services Limited and Kingston Capital Limited.

MR DENNIS BLUTH

Mr Dennis Bluth holds Bachelor of Arts, Bachelor of Law and Master of Law degrees and has practised as a solicitor for over 25 years, principally in the area of property law. Mr Bluth became a Fellow of the Australian Property Institute in 2004. Mr Bluth is a partner with Abbott Tout Lawyers of Sydney, Canberra and Brisbane and is a member of a number of Law Society and Law Council Committees. He was formerly a director of Godfrey Pembroke Financial Services Limited.

MR PHILLIP GREEN

Mr Phillip Green is Managing Director of Babcock & Brown Limited. Prior to joining Babcock & Brown, Mr Green worked as a Senior Manager with Arthur Andersen where he specialised in taxation. Mr Green is chairman of Babcock & Brown Environmental Investments Limited and of the trustee of the MTM Entertainment Trust and a director of Babcock & Brown Capital Limited, Everest Babcock & Brown Alternative Investments, Babcock & Brown Infrastructure Group, Thakral Holdings Limited and of the trustee of the Babcock & Brown Japan Property Trust. Mr Green holds Bachelor of Commerce and Bachelor of Laws Degrees from the University of New South Wales. He qualified as a Chartered Accountant in 1981 and was admitted as a solicitor in New South Wales in 1978.

MR MALCOLM IRVING, AM

Mr Malcolm Irving has over 40 years experience in company management, including twelve years as Managing Director of CIBC Australian Limited. Mr Irving 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.

MR LEN LLOYD

Mr Len Lloyd is Managing Director, Abacus Property Services Pty Limited, and is responsible for property administration and development opportunities in the Abacus portfolio. Mr Lloyd is a licensed Real Estate Agent and a registered Real Estate Valuer with experience in the development, management and funding of commercial, retail and residential property. 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 for the Commonwealth Development Bank.

4.4.2 Corporate governance policies

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised.

The ASX Corporate Governance Council has developed a set of guidelines, Principles of Good Corporate Governance and Best Practice Recommendations, which articulates 10 core principles and 28 recommendations that the ASX Corporate Governance Council believes underlie good corporate governance.

All listed entities are required to report against the recommendations in their annual report, disclosing the extent to which the entity has followed the best practice recommendations during the reporting period.

In summary, the APG's 2005 corporate governance report provided as follows:

Solid foundations for management and oversight	The boards have adopted a formal charter detailing functions and responsibilities. A copy of the charter is posted on the website.
Board structure	The boards of Abacus and AGHL have an independent chairman. The nomination and remuneration committee comprises three external directors, two of whom are independent. Its charter is also posted on the website.
Ethical and responsible decision-making	The commitment to ethical practices and professional standards are set out in a formal code of conduct. This code and the policy limiting trading in APG securities by directors are posted on the website.
Integrity in financial reporting	The audit committee comprises three external directors, two of whom are independent. Its charter is posted on the website. The independent auditor is available to answer questions from APG security-holders at the AGM.
Disclosure	The policy to ensure continuous disclosure of material information concerning APG's operations in accordance with ASX listing rule requirements is posted on the website.
Communication with security-holders	The Abacus website provides general information on APG's operations and has a news page which includes all announcements lodged with the ASX.
Risk management	The key elements of the risk management process include: • a comprehensive risk management plan • detailed and regular financial and management reporting • comprehensive compliance regime managed by a professional compliance manager, overseen by an independent compliance committee and audited by an external auditor • credit committee reviews lending proposals • due diligence committee reviews each transaction where a disclosure document is issued.

Board and management effectiveness	The boards are provided with information in a form, quality and timeframe to enable informed decisions. Board members have open access to staff and are able to seek independent professional advice if necessary at APG's expense.
Remuneration	The remuneration of directors and staff is overseen by the nomination and remuneration committee (see above).
Stakeholders' interests	APG is committed to meeting its obligations to all stakeholders, including APG security-holders, employees, clients, suppliers and the community as a whole.

All board committee charters and corporate governance policies are posted on the corporate governance page on the Abacus website at **www.abacusproperty.com.au**

4.5 Investment Risks

There are a number of risk factors which may have an impact on the future performance of the Merged Group. Investors should be aware that there are a variety of risks associated with investing in both property related businesses and stock market listed securities. The future level of income distributions to investors, the value of the Merged Group's businesses and assets, and the market value of securities quoted on the ASX may be influenced by any of these risk factors.

While the assumptions made in the preparation of the forecast financial information are considered reasonable, there are a number of risks and uncertainties that may affect the achievement of these forecasts, many of which are beyond the control of the Merged Group and its directors and would impact on the future financial performance of the Merged Group, the sectors in which the Merged Group operates and the price at which Merged Group Stapled Securities may be traded, are summarised below. This does not purport to be an exhaustive list of all the risk factors that may affect the future financial performance of the Merged Group.

4.5.1 General business risks

General economic conditions – Changes in prevailing economic conditions in Australia will impact (either favourably or unfavourably) on the Merged Group's businesses and assets and, possibly the market price of the Merged Group Stapled Securities. Relevant economic factors will include changes in interest rates and inflation, changes in gross domestic product and economic growth, employment levels and consumer spending, consumer and investment sentiment and property market volatility.

Property markets – The Merged Group's earnings will be subject to the prevailing property market conditions in the geographies and sectors in which it will operate. Increases in supply (or falls in demand) or adverse changes in prevailing market sentiment in any sectors of the property market in which the Merged Group will operate or invest may adversely affect earnings. These factors may adversely impact the value of and returns generated from property investments, management and development projects undertaken by the Merged Group from time to time, and may influence the acquisition of properties, the timing of sales, and the carrying value of properties and income producing assets.

Investments in Merged Group Stapled Securities will be subject to the general and specific risks associated with investments in entities owning real estate. In particular, as the Merged Group's assets include real property, an investment in Merged Group Stapled Securities will be subject to the risks of ownership, management and development of real property. Despite the strong performance of property investments in Australia in recent years, there can be no assurance that such performance will continue. Any deterioration in the Australian property markets could adversely affect the value of the Merged Group's properties.

Land values – Events may occur from time to time that affect the value of land or development costs which may then impact the financial returns generated from particular property related investments, businesses or projects.

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

The Merged Group will initially access and utilise debt funding provided by major banks. Any downgrade of the Merged Group's bank credit assessment may increase overall debt funding costs and adversely affect the Merged Group's access to debt funding and the terms on which that funding is offered.

Regulatory issues and changes in law – The Merged Group is subject to the usual business risk that there may be changes in laws that have an adverse impact on financial performance (such as by directly or indirectly reducing income or increasing costs). Depending on the nature of the changes, the impact may (but will not always) be limited to the value of returns generated from particular property investments, mortgage lending, development projects or fund management business operations. For example, there could be changes to tenancy laws which limit the recovery of property outgoings and changes or increases in real estate taxes which cannot be recovered as outgoings from tenants or changes in environmental laws that require additional capital expenditure.

Taxation – Changes in tax law (including in goods and services taxes and stamp duties), or changes in the way taxation laws are interpreted in the jurisdictions in which the Merged Group operates, may impact the future tax liabilities of the Merged Group. In addition, under current income tax legislation, AT and AIT are not liable for Australian income tax, including capital gains tax, provided they distribute all their respective taxable income. Should the actions or activities of the AT and AIT cause them to fall within the operative provisions of Division 6B or 6C of the Income Tax Assessment Act 1936, they may be taxed on their respective net incomes at a rate which is equivalent to the corporate income tax rate of 30%. It is the intention of the directors that the Merged Group will be managed so that neither Division 6B nor 6C will apply to either trust.

While there are not expected to be any tax consequences from implementation of the Merger, as a result of making stapling distributions there is a reallocation of the cost bases of each of the component parts of APG securities (AT units and AGHL shares) and ADIF securities (AIT units and AGPL shares) among the component parts of the Merged Group Stapled Securities (AT units, AGHL shares, Restructured AIT units and Restructured AGPL shares).

The cost base of existing AT units and Restructured AIT units will be reduced as a consequence of making the stapling distributions to effect the Merger. Future tax-deferred distributions from AT or AIT will further reduce the cost base of these units. Once the cost base is reduced to zero, any further tax-deferred distributions will be assessable as a capital gain in the year the unitholder is presently entitled to such distributions.

Litigation and disputes – Disputes or litigation may arise from time to time in the course of normal business activities of the Merged Group. There is a risk that material or costly disputes or litigation could affect the financial performance of the Merged Group and the value of Merged Group Stapled Securities.

Competition – The Merged Group will face competition from other Australian and international property groups and other organisations in the locations and sectors in which it operates. The Merged Group also operates with the threat of new competition entering the market. Competition may lead to an over-supply through over-development, or to prices for existing properties or services being impacted by competing bids. The existence of such competition may, for example, have an adverse impact on the Merged Group's ability to secure tenants for its properties at satisfactory rental rates and on a timely basis, which in turn may impact the Merged Group's financial performance and returns to investors.

Insurance – A degree of protection for various aspects of businesses, assets and people can be provided by insurance. Typical insurance policies include material damage of assets, public liability, industrial special risks, business interruption, general and professional indemnity, directors and officers and workers compensation. Policy coverage and insured limits are similar to those customarily carried by property owners and managers, developers and fund managers. There are however, types of losses (such as from floods and earthquakes) that are generally not insured at full replacement cost or that are insured subject to larger deductibles.

APG and ADIF currently carry insurance with respect to terrorism and will continue to seek appropriate coverage (subject to standard exclusions for nuclear, chemical or biological incidents) having regard to the nature of the Merged Group's portfolio and operations. The scope of renewal of insurance, including in respect of acts of terrorism, will be dependent on a number of factors such as the continued availability of coverage, the nature of risks to be covered, the extent of the proposed coverage and the costs involved. Additionally, the Merged Group will face risks associated with the financial strength of its insurers to meet their indemnity obligations when called upon which could lead to an adverse effect on earnings.

Conflicts of interests with partners – APG and ADIF currently undertake joint ventures with co-owners on asset ownership and business partners on development projects. At times, major decisions are required to be made in respect of these joint venture arrangements (eg. re-development and refurbishment, refinancing, the sale of assets and bid pricing). The interests of the Merged Group may not be the same as those of its co-owners in relation to these matters.

In addition, pre-emptive provisions or rights of refusal may apply to sales or transfers of interests in co-owned properties and business agreements. These provisions may work to the disadvantage of the Merged Group because, among other things, the Merged Group may be required to make decisions about buying or selling interests in these properties or developments at a time when it is disadvantageous to do so.

There is also the risk that co-owners and business partners may default on their obligations or otherwise act in a manner that adversely affects the Merged Group.

Investments – The Merged Group will hold certain investments in both listed and unlisted property related entities. The value of, and earnings generated from these investments will vary from time to time in accordance with such factors as the underlying value of assets held by the entities, the gearing levels, quoted market values in respect of listed securities and other prevailing investment and market conditions in the sectors where the investments have been made. The value ultimately realised on the disposal of these investments is likely to depend on investment and market conditions at the time of disposal, the liquidity of the investments and the prices obtained on the sale of underlying assets held by the entities. Depending on these factors, there is a risk that the Merged Group will realise a reduced value for these investments.

Environment – The Merged Group will from time to time be exposed to a range of environmental risks including those resulting from soil and water contamination, construction, cultural heritage (eg. aboriginal) and flora and fauna (eg. native vegetation). In addition, there is a risk that property owned by or projects undertaken by the Merged Group from time to time may be contaminated by materials harmful to human health (such as asbestos or other hazardous materials). In these situations, the Merged Group may be required to undertake remedial works on contaminated sites and may be exposed to third party compensation claims and environmental liabilities.

Although APG and ADIF are not currently aware of any material risks, there is a risk of the discovery of, or incorrect assessment of costs associated with, environmental contamination on any of the Merged Group's sites.

Stock market risks – The price that Merged Group Stapled Securities trade on the ASX may be determined by a range of factors including:

- changes to local and international stock markets;
- inflation;
- changes in interest rates;
- general economic conditions;
- changes to the compilation of indices;
- changes in government, fiscal, monetary and regulatory polices; and
- changes in the supply of listed property trust securities.

In future, one or more of these factors may cause Merged Group Stapled Securities to trade below current APG prices. In addition, the stock market can experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of the Merged Group.

Other external factors – Other external factors which may impact on the Merged Group's performance include changes or disruptions to political, regulatory, legal or economic conditions or to the national or international financial markets including as a result of terrorist attacks or war or insurrection.

4.5.2 Risks associated with ownership of property assets

An investment in the Merged Group will be subject to the risks of ownership, development and management of the type of assets it invests in. These risks may include:

Interest rates – Adverse fluctuations in interest rates, to the extent that they are not hedged or forecast, will impact on the earnings available for distribution to Merged Group Stapled Security-holders. The Merged Group intends to utilise interest rate derivatives and fixed rate borrowings to protect a portion of the Merged Group's forecast interest expense from floating rate exposures. Further information about interest rate management for the Merged Group is set out in section 5.9. Adverse movements in interest rates may also impact the Merged Group's earnings before interest and asset values due to any impact on property markets in which the Merged Group operates.

Returns from investment - Returns from investment in real property depend largely upon the amount of rental income that can be generated from the property, the expenses incurred in operations, including the management and maintenance of the property, as well as changes in the market value of the property. Factors which may adversely impact these returns include:

- the overall conditions in the national and local economy, such as growth in gross domestic product, employment trends and the level of inflation and interest rates;
- local real estate conditions, such as the level of demand for and supply of retail, commercial and industrial space;
- the perception of prospective tenants of the attractiveness, practicality and convenience of the rental space;
- changes in tenancy laws;
- external factors including major world events such as war, terrorist attacks or force majeure events;
- unforeseen capital expenditure;
- supply of new properties and other investment assets; and
- investor demand / liquidity in investments.

Leasing terms and tenant defaults – The future financial performance of the Merged Group will depend, in part, on its ability to continue to lease existing retail, office, industrial and hotel space that is vacant or becomes vacant on expiry of leases on economically favourable terms. In addition, the ability to lease new asset space in line with expected terms will impact on the financial performance of the Merged Group.

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

Liquidity of property investments – The nature of investments in property assets may make it difficult to generate liquidity in the short term if there is a need to respond to changes in economic or other conditions.

Fixed nature of significant costs – Significant expenditures associated with each investment, such as mortgage payments, maintenance costs, employee costs and taxes, are generally not reduced when circumstances cause a reduction in income from the investment or business operation. The value of an asset owned by the Merged Group may be adversely affected if the income from the asset declines and other related expenses remain unchanged.

Acquisition of properties – A key element of the Merged Group's future strategy will involve the acquisition of assets to add to the property investment portfolio. There are inherent risks in such acquisitions. These risks could include unexpected problems or other latent liabilities such as the existence of asbestos or other hazardous materials or environmental liabilities.

The past performance of assets in the Merged Group does not guarantee their future performance. Any deterioration in the local and regional property markets where the Merged Group properties are held could adversely affect the value of those properties and the net income generated by them.

4.5.3 Risks associated with development activities

The Merged Group will undertake certain development activities, typically with experienced joint venture partners. The risks associated with these activities include:

- general decline in demand for property;
- settlement /credit risk on pre-sold land / lots / units;
- income derived from redevelopment properties being lower than expected;
- factors impacting the Merged Group's ability to complete existing and future projects, including industrial disputes, inclement weather, cost overruns;
- construction not being completed on budget or on schedule;
- failure to obtain, or delays in obtaining, required plan registrations, approvals, permits or licenses eg. community objections or delays by local and state authorities;
- trade practice law risk, including misleading and /or deceptive conduct with the general public;
- temporary disruption of income from a property due to a delay in completion;
- securing of land supply for future projects; and
- additional environmental remediation issues not previously identified or allowed for.

If a development project is unsuccessful, the investment cost to the Merged Group may exceed the value of the project on completion. The income available for distribution to holders of Merged Group Stapled Securities may be adversely affected in these circumstances.

4.5.4 Risks associated with mortgage lending

An investment in the Merged Group will be subject to the risks of property backed mortgage lending. Given security for mortgages are typically based on real property, many of the risks noted above affecting the value of underlying property security and ability of owners to generate expected returns and risks associated with development projects noted above are applicable in relation to risks of mortgage lending (see sections 4.5.2 and 4.5.3). In particular, risks may include:

- any inability of major borrowers to meet their interest and other contractual commitments to the Merged Group (such as in situations of bankruptcy, insolvency or foreclosure of their development sites) may have an adverse impact on the income from mortgage investments, which may result in an adverse impact on the financial performance of the Merged Group; and
- any decline in the value of underlying security may affect the borrower's ability to repay their outstanding debt obligations, particularly if another lender has priority over the security ahead of the Merged Group. Such declines may have an adverse impact on the Merged Group's ability to recover its financial asset value, which may result in an adverse impact on the financial performance of the Merged Group.

4.5.5 Risks associated with funds management activities

The Merged Group's earnings will include fees from funds management activities including management fees based on gross assets and other fees based on various performance measures. The level of fee income may be reduced, and the reputation of Abacus may suffer, if the value of assets fall or if the performance of any fund is otherwise impaired.

5 FINANCIAL INFORMATION

5.1 Introduction

This section contains information concerning:

5.4.1	APG historical and forecast aggregated Income Statements compiled on a 'stand alone' basis, as if the Merger had not been effected: – Historical – year ended 30 June 2005 under AGAAP and AIFRS – Forecast – year ending 30 June 2006
5.4.2	ADIF historical and forecast aggregated Income Statements compiled on a 'stand alone' basis, as if the Merger had not been effected: – Historical – year ended 30 June 2005 under AGAAP and AIFRS – Forecast – year ending 30 June 2006
5.4.3	Merged Group historical and forecast pro forma aggregated Income Statements compiled as if the Merger had been effected: – Historical – year ended 30 June 2005 under AGAAP and AIFRS – Forecast – year ending 30 June 2006
5.5.1	Historical and pro forma aggregated Balance Sheets for APG and ADIF compiled on an AGAAP basis as if the Merger had not been effected
5.5.2	Pro forma aggregated Balance Sheets for APG and ADIF and pro forma balance sheet of the Merged Group compiled on an AIFRS basis at 30 June 2005
5.6	Key assumptions underlying the preparation of forecast financial information for APG and ADIF on a stand alone basis and forecast pro forma financial information for the Merged Group
5.7	Sensitivity analysis
5.8	Distribution policy
5.9	Gearing and interest rate management

5.2 Independent review

PKF Corporate Advisers Pty Limited has reviewed the historical pro forma aggregated financial information (set out in sections 5.4.3, 5.5.1 and 5.5.2) and the forecast consolidated Income Statement for the year ending 30 June 2006 (set out in sections 5.4.1, 5.4.2 and 5.4.3). Their report on this financial information is set out in section 6.

5.3 Adoption of AIFRS

For reporting periods beginning on or after 1 January 2005, APG, ADIF and the Merged Group will comply with Australian equivalent International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board (AASB).

Accordingly, the information in this section has been prepared in accordance with AIFRS, Urgent Issues Group Consensus Views, other authoritative pronunciations of the AASB, the Corporations Act and the constitutions of AT and AIT.

AIFRS policies and their interpretation may change between the date of issue of this document and the issue of the Merged Group's first set of AIFRS Financial Statements for the year ending 30 June 2006. The regulatory bodies that promulgate AIFRS have significant ongoing projects that could affect the impact of AIFRS on the Merged Group. Accordingly, there can be no assurances provided that the financial information as disclosed herein would not be materially different with changes to AIFRS. However, any changes are not expected to impact cashflows, hence the ability of the Merged Group to make distributions should not be affected.

5.4 Historical and forecast aggregated Income Statements

5.4.1 APG historical and forecast Income Statements

Set out below are historical aggregated Income Statements of APG, on both an AGAAP and an AIFRS basis, for the year ended 30 June 2005 and forecast aggregated Income Statement for the year ending 30 June 2006.

	Historical June 2005 AGAAP $'000	Historical June 2005 AIFRS $'000	Forecast June 2006 $'000
Net property income	22,075	20,955	29,554
Net mortgage investment income	13,038	13,038	14,707
Net funds management income	8,614	8,614	10,923
Net development and investment income	6,282	6,282	3,720
Earnings before interest, tax and amortisation	**50,009**	**48,889**	**58,904**
Net financing costs	(8,094)	(8,094)	(10,708)
Amortisation of intangibles	(1,775)	-	-
Net Profit before tax, revaluations, minority interest	**40,140**	**40,795**	**48,196**
Income tax	(356)	(223)	(1,000)
Outside equity interests	(678)	(678)	(146)
Net profit before revaluations	**39,106**	**39,894**	**47,050**
Change in fair value of investment properties	-	12,059	-
Net profit attributable to APG security-holders	**39,106**	**51,953**	**47,050**
Distribution paid or payable	(36,939)	(36,939)	(45,486)
Retained earnings	**2,167**	**15,014**	**1,564**
Earnings per APG security - cents (basic)	12.18	16.18	12.21
Distribution per APG security - cents	11.40	11.40	11.80
Distribution summary (ex AIFRS revaluations):			
Net profit before revaluations	39,106	39,894	47,050
Distribution paid or payable	(36,939)	(36,939)	(45,486)
Retained earnings	**2,167**	**2,955**	**1,564**

1. The forecast stand alone Income Statements for APG and ADIF do not reflect any of the costs of the Merger. Under the Implementation Deed, APG and ADIF have agreed that they will share the aggregate costs of the Merger in proportion to the relative ownership percentages of the Merged Group (ie. 83% & 17% respectively). Costs estimated to total $0.6 million are forecast to be incurred for the year ending 30 June 2006. These costs relate to adviser fees and costs (time based fees), listing and registry fees and other incidental costs of merging the entities. If the Merger does not proceed, most of the forecast transaction costs are likely to be incurred in any case. These costs will be expensed by each entity in the year ending 30 June 2006 in accordance with the terms of the Implementation Deed.
2. Adjustments have been made where necessary to ensure that the accounting policies for APG and ADIF have been consistently applied during all periods. The assumptions that have been used in the preparation of the forecasts are set out in section 5.6.

AIFRS impacts on AGAAP reported profits

The key AIFRS impacts on historical APG profit under AGAAP are set out below:

	30 June 2005 $'000
Net profit under AGAAP	**39,106**
Write-back of goodwill amortisation	1,775
Impact of amortisation of leasing incentives	480
Reversal of profits on sales settled after year end	(1,600)
Revaluation of investment properties	12,059
Adjustment to income tax expense	133
Net profit under AIFRS	**51,953**

• Under AASB 3 *Business Combinations*, goodwill is not amortised but is subject to annual (or more frequent) impairment testing under AASB 136 Impairment of Assets. APG has elected not to apply the standard retrospectively in accordance with the exemption provided in AASB 1 First-time Adoption of AIFRS and hence only the goodwill amortised during the current year is written back.

• Under AASB 117 *Leases* and UIG Interpretation 115, lease incentives, irrespective of nature or form or timing of payments, are amortised over the lease term. Rent-free and rental abatements increased income upon initial recognition.

• Under AASB 118 *Revenue*, the revenue recognition criteria in the sale of goods include requirements that the entity has transferred to the buyer the significant risks and rewards of ownership of the goods and that the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods. Sale of investment properties was previously recognised as income on exchange of unconditional contract of sale. Profits derived from sales settled after 30 June 2005 are adjusted and recognised on settlement in the following financial year.

• Under AASB 140 *Investment Property*, if investment properties are measured at fair value, gains or losses arising from changes in fair value are recognised in the Income Statement in the period in which they arise.

• Under AASB 112 *Income Taxes*, income tax is calculated using the balance sheet liability method, rather than the current income statement method, which recognises deferred tax balances where there is a difference between the carrying amount of an asset or a liability and its tax base. This results in the recognition of a deferred tax liability in relation to AGHL's revalued assets. The AT will continue to not recognise tax assets and tax liabilities as it will not be liable for tax if all taxable income is distributed to APG security-holders.

5.4.2 ADIF historical and forecast Income Statements

Set out below are historical aggregated Income Statements of ADIF, on both an AGAAP and an AIFRS basis, for the year ended 30 June 2005 and forecast aggregated Income Statement for the year ending 30 June 2006.

	Historical June 2005 AGAAP $'000	Historical June 2005 AIFRS $'000	Forecast June 2006 $'000
Net property income	10,814	10,558	14,627
Net mortgage investment income	3,627	3,627	2,689
Net development and investment income	29	29	812
Earnings before interest, tax and amortisation	**14,470**	**14,214**	**18,128**
Net financing costs	(6,312)	(6,312)	(8,582)
Amortisation of intangibles	(40)	(40)	(119)
Net profit before tax, revaluations, minority interest	**8,118**	**7,862**	**9,427**
Income tax	-	-	(261)
Outside equity interests	66	66	17
Net profit before revaluations	**8,184**	**7,928**	**9,183**
Change in fair value of investment properties	-	3,730	-
Net profit attributable to ADIF security-holders	**8,184**	**11,658**	**9,183**
Distribution paid or payable	(8,130)	(8,130)	(9,400)
Retained earnings	**54**	**3,528**	**(217)**
Earnings per ADIF security – cents (basic)	9.30	13.25	9.05
Distribution per ADIF security - cents	9.25	9.25	9.25
Distribution summary (ex AIFRS revaluations):			
Net profit before revaluations	8,184	7,928	9,183
Distribution paid or payable	(8,130)	(8,130)	(9,400)
Retained earnings	**54**	**(202)**	**(217)**

Refer note (1) at 5.4.1 for the effect of the transaction costs on ADIF results for the year ending 30 June 2006 should the Merger not proceed.

AIFRS impacts on AGAAP reported profits

The key AIFRS impacts on historical ADIF profit under AGAAP are set out below:

	30 June 2005 $'000
Net profit under AGAAP	**8,184**
Reversal of profits on sales settled after year end	(79)
Revaluation of investment properties	3,730
Reclassification of investment property to owner-occupied	(177)
Net profit under AIFRS	**11,658**

- Under AASB 118 *Revenue*, the revenue recognition criteria in the sale of goods include requirements that the entity has transferred to the buyer the significant risks and rewards of ownership of the goods and that the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods. Sale of investment properties was previously recognised as income on exchange of unconditional contract of sale. Profits derived from sales settled after 30 June 2005 are adjusted and recognised on settlement in the following financial year.
- Under AASB 140 *Investment Property*, if investment properties are measured at fair value, gains or losses arising from changes in fair value are recognised in the Income Statement in the period in which they arise. On consolidation of ADIF (and consolidation within the Merged Group should the Merger proceed), ADIF's investment in real property relating to a hotel property are likely to be reclassified from Investment Property to Owner Occupied property and accounted for under AASB 116 *Property Plant and Equipment*. The hotel building and other plant and equipment would be required to be depreciated under AASB 116.

5.4.3 Merged Group historical and forecast pro forma aggregated Income Statements

Set out below are historical pro forma aggregated Income Statements of the Merged Group on both an AGAAP and an AIFRS basis for the year ended 30 June 2005 and a forecast pro forma aggregated Income Statement for the year ending 30 June 2006.

	Historical Pro Forma		Pro Forma Forecast
	June 2005 AGAAP $'000	June 2005 AIFRS $'000	June 2006 $'000
Net property income	34,629	33,252	46,396
Net mortgage investment income	15,836	15,836	16,715
Net funds management income	4,611	4,611	7,452
Net development and investment income	6,332	6,332	4,587
Earnings before interest, tax and amortisation	**61,408**	**60,031**	**75,150**
Net financing costs	(12,956)	(12,956)	(17,978)
Amortisation of intangibles	(1,815)	(40)	(119)
Net profit before tax, revaluations, minority interest	**46,637**	**47,035**	**57,053**
Income tax	(356)	(223)	(1,261)
Outside equity interests	(612)	(612)	(129)
Net profit before revaluations	**45,669**	**46,200**	**55,663**
Change in fair value of investment properties	-	16,525	-
Net profit attributable to security-holders	**45,669**	**62,725**	**55,663**
Distribution paid or payable	(44,856)	(44,856)	(54,831)
Retained earnings	**813**	**17,869**	**832**
Earnings per security – cents (basic) [1,2]	11.62	15.96	11.98
Distribution per security – cents [1,2]	11.40	11.40	11.80
Distribution summary (ex AIFRS revaluations):			
Net profit before revaluations	45,669	46,200	55,663
Distributions paid and payable	(44,856)	(44,856)	(54,831)
Retained earnings	**813**	**1,344**	**832**

1. EPS and DPS for 2005 are based on pro forma 393.0 million weighted average securities on issue for the year.
2. EPS and DPS for the year ending 30 June 2006 are based on pro forma 464.7 million weighted average securities on issue for the year.

The pro forma and forecast financial information above has been compiled as if the Merger had occurred on 1 July 2005 and reflects, on a pro forma basis, the impact of the events and transactions set out in (i) and (ii) below.

(i) Basis of preparation of historical pro forma aggregated Income Statements

The Merger is not considered to be an acquisition but rather a change in security-holders' interests in the Merged Group. Accordingly, APG will not apply purchase accounting principles to the transaction. Key principles adopted in preparing the pro forma aggregated income statements include the elimination of the following inter-entity transactions:

- asset management and property management fees;
- acquisition and performance fees;
- interest charges; and
- trail commission in respect of ADIF that will no longer be payable.

The pro forma aggregated financial information for the Merged Group for the year ended 30 June 2005 set out in this section has been prepared on the basis of both AGAAP and AIFRS.

(ii) Basis of preparation of forecast pro forma aggregated Income Statements

The forecast pro forma aggregated Income Statement comprises:

- pro forma aggregated Income Statement for the Merged Group, prepared under AGAAP, for the year ended 30 June 2005;

- pro forma aggregated Income Statement for the Merged Group, prepared under AIFRS, for the year ended 30 June 2005;
- forecast pro forma aggregated Income Statement for the Merged Group, prepared under AIFRS, for the year ending 30 June 2006; and
- key assumptions to the forecast pro forma Income Statement – section 5.6.

The forecast pro forma financial information for the year ending 30 June 2006 has been prepared on the basis set out in (i) above and section 5.6.

The forecast pro forma financial information for the year ending 30 June 2006 has been compiled as if the Merger had occurred on 1 July 2005.

Subject to the continuous and periodic disclosure requirements imposed on publicly listed companies, neither APG nor the Merged Group (if the Merger proceeds) intend to update this information or to publish forecast financial information in the future.

APG has announced an increase in the distribution payable to APG security-holders from 1 January 2006 to 3.0 cents per APG security.

APG security-holders can expect to receive distributions of 2.9 cents per APG security in respect of the quarter ending 31 December 2005 and of 3.0 cents per APG security in respect of the quarter ending 31 March 2006.

ADIF security-holders can expect to receive distributions in relation to the quarters ending 31 December 2005 and 31 March 2006 of 2.3125 cents per ADIF security.

Quarter ending	APG cents	ADIF cents
31 December 2005	2.9000	2.3125
31 March 2006	3.0000	2.3125

Achievement of the forecast AIFRS financial information may be significantly impacted by future changes in the value of underlying properties and movements in interest rates, that may impact on the mark to market value of Merged Group's treasury arrangements.

Investors should be aware that changes in the value of underlying properties and movements in interest rates may introduce considerable volatility into the future reported results of the Merged Group under AIFRS. The issue is not specific to the Merged Group or the Merger.

The forecast pro forma financial information was prepared based on an assessment of present economic and operating conditions and on a number of assumptions regarding future events and actions which are expected to take place, including the key assumptions set out in section 5.6. The forecast pro forma financial information was prepared on the basis of currently available information and estimates. The directors of Abacus, AGHL and AGPL believe they have used due care and attention in the preparation of this forecast pro forma financial information and consider the assumptions to be reasonable when considered as a whole. However, this information is not fact and investors are cautioned not to place undue reliance on the forecast pro forma financial information.

The forecast pro forma financial information is likely to vary from actual results and any variation may be materially positive or negative because the assumptions, and therefore the forecast pro forma financial information, are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of the Merged Group and are not predictable on a reliable basis. Accordingly, neither Abacus, AGHL, AGPL or anyone else can give an assurance that the forecast pro forma financial information will be achieved.

The forecast pro forma financial information should be read in conjunction with the key assumptions in section 5.6, the sensitivity analysis in section 5.7, the risk factors described in section 4.5 and other information contained in this document. A report on the forecast pro forma financial information by the Independent Accountant, PKFCA, is set out in section 6.

5.4.4 AIFRS impact on key accounting policies

Set out below are the key areas where accounting policies are subject to change on adoption of AIFRS. The estimated financial impacts on reported historical net profit for APG and ADIF is set out in sections 5.4.1 and 5.4.2 respectively and are based on the audited financial results for the year ended 30 June 2005. The actual effects of transition to AIFRS may differ from these estimates when implementation is finalised due to (a) ongoing work being undertaken on AIFRS; (b) potential amendments to AIFRS and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted industry practice in the interpretation and application of AIFRS and UIG Interpretations.

The adoption of AIFRS will be reflected in the financial statements for the year ending June 2006. The material accounting policies to be applied are:

- **Classification of units in trusts:** In October 2005, certain clauses within the constitutions of AT and AIT were amended regarding the life and distribution policy of the Trusts, allowing units to be classified as equity rather than as liabilities. These amendments result in net assets attributable to security-holders being classified as equity and returns to security-holders being disclosed as distributions payable at reporting date.

- **Investment properties:** Under AASB 140 *Investment Property*, the underlying interests in the investment properties are initially brought to account at cost plus acquisition costs. Subsequent to initial recognition, all investment properties will be recorded at fair value. Any change in the valuation of the investment properties will be recorded as an unrealised gain or loss in the Income Statement.

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

  There are no forecasts for future valuations of properties as the directors believe that there is no reasonable basis on which to make forecasts in relation to future capitalisation rates, property yields or general market conditions and that these are matters outside their control. Accordingly, the Merged Group is unable to accurately quantify the impact of these unknown conditions on the forecast financial information.

  While the introduction of AIFRS may introduce volatility into forecast financial information - in particular, potential volatility of movements in property values - this is not expected to affect the operating cashflows and hence the distributions payable to investors in the Merged Group Stapled Securities.

- **Goodwill:** Under AASB 3 *Business Combinations*, goodwill will no longer be amortised but instead subject to impairment testing under AASB 136 Impairment of Assets.

- **Financial Instruments:** Under AASB 132 *Financial Instruments: Disclosure and Presentation* and 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. Loans and receivables originated by the entity and not held for trading will be accounted for at amortised cost using the effective interest method.

  - Certain Merger Entities (namely AT, AIT and AGHL) have derivative instruments in the form of interest rate swaps to hedge exposures to interest rate movements. Under AIFRS, all derivative financial instruments, whether used for hedging purposes or not, are required to be carried on the Balance Sheet at fair value. Gains or losses on changes in the fair value of derivative financial instruments must be recognised in the Income Statement except where they are accounted for as hedges.
  - Under AIFRS, derivative contracts that do not qualify for hedge accounting will result in increased volatility, as changes in the fair value of these derivative contracts will be recognised in the Income Statement. In order to qualify for hedge accounting, strict requirements over hedge designation, documentation and effectiveness must be satisfied.
  - 30 June 2005, the APG interest rate swap agreements with the banks were valued at $4.9 million and will decrease retained earnings at 1 July 2005. At 30 June 2005 the ADIF interest rate swap agreements with the banks were valued at $1.2 million and will decrease retained earnings at 1 July 2005.
  - There are no forecasts for movements in market values of derivatives as the directors of Abacus, AGHL and AGPL believe that there is no reasonable basis on which to make forecasts in relation to future interest rates, or general market conditions and that these are matters outside their control. Accordingly, the Merger Entities are unable to accurately quantify the impact of these unknown conditions on the forecast financial information.

- **Revenue recognition:** Under AASB 118 *Revenue*, the revenue recognition criteria in the sale of goods include requirements that the entity has transferred to the buyer the significant risks and rewards of ownership of the goods and that the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods. Any profit on sale of investment properties has historically been recognised as income on exchange of unconditional contract of sale under AASB 118 *Profit on sale of investment properties.*

- **Leases:** Under AASB 117 *Leases* and UIG Interpretation 115, lease incentives, irrespective of nature or form or timing of payments should be amortised over the lease term. Currently lease incentives are amortised with the exception of rent-free and rental abatements which, when recognised and amortised, would increase income in earlier periods.

- **Distributions:** The financial impact of AIFRS is not expected to affect the distribution policy. It has been the policy of APG and ADIF to align distributions to income earned as closely as possible so that, in determining distributable income, any material non-cash income or expense items is excluded in the calculation of distributable profits. The Merged Group will adjust for non-cash income or expense items arising from revaluation movements and mark to market valuation of its derivatives and the effects of any other amortisation of assets.

5.5 Historical pro forma aggregated Balance Sheets

5.5.1 Historical Balance Sheets of APG and ADIF

The following table sets out:

- stand alone summarised Balance Sheets of APG and ADIF, as reported under AGAAP, for the year ended 30 June 2005; and
- pro forma summarised Balance Sheets for APG and ADIF, compiled on an AGAAP basis, as at 30 June 2005.

This information has been based on the audited 30 June 2005 financial reports of APG and ADIF adjusted for material events and transactions that have occurred since 30 June 2005 as summarised in section 5.5.3. These pro forma Balance Sheets have been compiled as if the Merger had not been effected.

	Stand Alone as Reported		Stand alone Pro Forma	
30 June 2005	APG $'000	ADIF $'000	APG $'000	ADIF $'000
Assets				
Cash	4,417	1,794	1,570	5,008
Investment properties	352,039	177,095	359,733	203,243
Property, plant and equipment	133	-	133	-
Equity accounted investments	13,763	3,357	13,763	1,500
Intangible assets (net)	30,619	1,154	30,619	1,154
Other financial assets	171,460	33,064	189,713	23,773
Other assets and receivables	21,089	5,910	21,089	6,406
Total assets	**593,520**	**222,374**	**616,620**	**241,084**
Creditors and accruals	5,528	3,970	5,528	4,106
Borrowings	172,764	114,691	142,514	132,785
Other liabilities	11,423	2,342	11,423	2,527
Total liabilities	**189,715**	**121,003**	**159,465**	**139,418**
Net assets	**403,805**	**101,371**	**457,155**	**101,666**
Equity				
Net contributed capital	351,825	97,139	405,175	97,139
Reserves	37,900	3,673	37,900	3,673
Retained earnings	12,247	(373)	12,247	(78)
Outside equity interests	1,833	932	1,833	932
Total Equity	**403,805**	**101,371**	**457,155**	**101,666**
Net asset backing per security ($)	1.18	1.00	1.19	1.00
NTA per security ($)	1.09	0.99	1.11	0.99
Net debt gearing (%)	28.4	50.8	22.9	53.0

1 Other financial assets include the following:

	Stand Alone as Reported		Stand alone Pro Forma	
	APG $'000	ADIF $'000	APG $'000	ADIF $'000
Funds management loans	54,044	-	66,900	-
Loans to joint ventures and associates	19,517	-	20,967	-
Third party mortgage investment loans	79,313	32,553	83,260	23,262
Investments in listed and unlisted securities	16,616	-	16,616	-
Other	1,970	511	1,970	511
Total other financial assets	171,460	33,064	189,713	23,773

5.5.2 Pro forma Balance Sheet of the Merged Group

The following table sets out:

- pro forma summarised aggregated Balance Sheets of APG and ADIF, compiled on an AIFRS basis, as at 30 June 2005; and
- pro forma summarised aggregated Balance Sheet of the Merged Group, compiled on an AIFRS basis, as at 30 June 2005.

The pro forma aggregated Balance Sheet has been compiled as if the Merged Group had been formed at 30 June 2005 and reflects, on a pro forma basis, the material events and transactions that have occurred since 30 June 2005, as summarised in section 5.5.3.

30 June 2005	Pro forma APG $'000	Pro forma ADIF $'000	Pro forma Merged Group $'000
Cash	1,570	5,008	5,978
Investment properties	360,438	185,708	545,781
Property, plant and equipment	133	17,818	17,951
Equity accounted investments	13,763	1,500	15,263
Intangible assets (net)	32,394	1,154	33,548
Other financial assets[1]	189,713	23,779	192,621
Other assets and receivables	19,264	5,861	24,478
Total assets	**617,275**	**240,828**	**835,620**
Creditors and accruals	5,528	4,106	9,449
Borrowings	147,383	133,998	260,510
Other liabilities	11,290	2,594	13,884
Total liabilities	**164,201**	**140,698**	**283,843**
Net assets	**453,074**	**100,130**	**551,777**
Net contributed capital	405,175	97,139	502,046
Retained earnings	46,066	2,059	46,966
Outside equity interests	1,833	932	2,765
Total Equity	**453,074**	**100,130**	**551,777**
Net asset backing per security ($)[2]	1.18	0.99	1.19
NTA per security ($)[2]	1.09	0.98	1.12
Net debt gearing (%)[3]	23.6	53.6	30.5

1. Other financial assets include the following:

	Pro forma APG $'000	Pro forma ADIF $'000	Pro forma Merged Group $'000
Funds management loans	66,900	-	46,035
Loans to joint ventures and associates	20,967	-	20,967
Third party mortgage investment loans	83,260	23,262	106,522
Investments in listed and unlisted securities	16,616	-	16,616
Other	1,970	517	2,481
Total other financial assets	189,713	23,779	192,621

2. Based on pro forma:
   - 385.5 million APG securities on issue;
   - 101.5 million ADIF securities on issue; and
   - 464.7 million Merged Group Stapled Securities on issue.
3. Represents gross borrowings less cash divided by total assets

5.5.3 Basis of preparation of the pro forma aggregated Balance Sheets

The Merger will give rise to the occurrence of certain other transactions and events, including treasury transactions, which have not been reflected in the pro forma balance sheets at 30 June 2005 set out above.

The pro forma Balance Sheets set out above have been compiled as if the effective date of the Merger was 30 June 2005 and incorporates the accounting treatment of the associated transactions under (i) below and other significant transactions as described under (ii) below. In all material respects the accounting treatment is the same for AGAAP as it is for AIFRS with the exception of the income tax entries described under (iii) below.

(i) In accordance with the scope exception paragraph 3(d) of AASB 3, which states that business combinations in which separate entities or businesses are brought together to form a reporting entity by 'contract alone' with the obtaining of an ownership interest, purchase accounting as required under AASB 3 has not been followed. Consequently, the pro forma Balance Sheets have been prepared on the following basis:

- It represents an aggregation of the assets and liabilities of all of the entities involved in the Merger.
- The net assets of ADIF estimated on a pro forma basis based on information available at the date of this Explanatory Memorandum includes the fair market value of the investment properties, as reported in the audited financial statements and/or the latest valuations of the properties, and a net mark to market increment of $1 million in ADIF representing the present value of all ADIF interest rate derivative instruments for the purpose of adopting AIFRS. Given that the Merger is not an acquisition, no recognition of any potential increase of the carrying value for intangibles to their fair market value has been taken into consideration.
- Inter-entity assets, liabilities and equity balances have been eliminated on consolidation, including:
  - mortgage investment funds advanced by APG to ADIF;
  - receivable/payable balances between the entities on inter-entity transactions arising from management fees, advisory fees, property management charges, performance and acquisition fees;
  - acquisition fees capitalised into the cost of investment properties on acquisition in ADIF but returned as income in APG; and
  - capital raising and advisory commissions taken directly to issue costs in ADIF but returned as income in APG.

(ii) The effect of significant transactions which have occurred subsequent to 30 June 2005 have been adjusted in the pro forma Balance Sheet including the following:

- APG:
  - impact of the APG institutional private placement capital raising of net $53 million completed in August 2005 (an additional 42.6 million APG securities were issued);
  - advancement of net funds to / (from) Abacus associated funds management vehicles ahead of retail equity capital raising ($39 million) and repayment of bank debt ($30 million);
  - acquisition by APG of two additional investment properties ($8 million);
  - net mortgage investment loans written ($5 million);
  - impact of adopting AIFRS 139 fair value of interest rate swap instruments. Increased borrowings and reduced retained earnings at 30 June 2005 by $5 million.
- ADIF:
  - direct acquisition by ADIF of an investment property ($9 million) and acquisition by a 75% owned subsidiary of four investment properties ($17 million);
  - raising of external debt funding for property acquisitions ($12 million)
  - raising of internal debt funding from APG to assist in financing property acquisitions, net of repayments ($6 million)
  - completion of the sales of a joint venture asset (Spotlight Plaza) and a commercial suite in Cairns and receipt of share of proceeds on sale ($2 million);
  - receipt of proceeds of net repayment of mortgage investment loans ($9 million);
  - impact of adopting AIFRS 139 fair value of interest rate swap instruments increased borrowings and reduced retained earnings at 30 June 2005 by $1 million.

(iii) Long term deferred tax liability of $0.1 million has been recorded in APG under AIFRS, principally recognising, for the first time, differences in book values and tax values of investment properties in AGHL. This deferred tax liability was previously not required to be recognised under AGAAP and is not expected to be realised or affect the distribution paid or payable.

(iv) Forecast Merger costs amounting to $0.6 million have been taken directly to issue costs in equity in the pro forma Balance Sheet on the assumption that the Merger proceeds.

(v) APG has entered into a Facility Agreement to provide up to $15.5 million in loan funds to ADIF to enable it to meet its obligations under a construction contract for a shopping centre in Bundaberg, Queensland over the next 12-18 months.

5.6 Key Assumptions

The pro forma Income Statements and Balance Sheets for the year ended 30 June 2005 have been compiled based on the historical audited Income Statements and Balance Sheets for each of APG and ADIF, adjusted for significant events and transactions since 30 June 2005.

The forecast pro forma Income Statements for the year ending 30 June 2006 have been prepared on the basis of the assumptions detailed below.

5.6.1 General Assumptions

The principal general assumptions upon which the forecast financial information for APG, ADIF and the Merged Group have been prepared are:

- Continuation of existing operating strategy, which is to achieve growth in returns to investors through active and intensive management of the existing property portfolio and acquisitions of new properties, growth in the funds management activities through establishment of new schemes, and continuing to take advantage of investment opportunities in joint ventures and other development activities as they arise.
- No acquisitions or disposals of investment properties (other than acquisitions actually completed since 30 June 2005 and included in the pro forma adjustments outlined in section 5.5.3 and the continued sales of strata units at 109 Pitt Street, Sydney) have been incorporated into the financial forecast information. However, investors should be aware that, consistent with the operating strategy described in this Explanatory Memorandum, the Merged Group actively seeks opportunities to add value through the acquisition of investment property assets should those acquisitions be considered to be in the best interests of the Merged Group.
- No material changes will be announced as regards the content of the currently issued AIFRS standards and no new standards or other mandatory reporting requirements will be issued that may have a material effect on the financial results.
- No changes in the taxation legislation or current corporate tax rates that will have a material impact during the forecast period.
- No substantial changes in the existing regulatory environment in which the Merged Group will operate.
- No substantial changes in the Merged Group's competitive environment.

5.6.2 Assumptions for APG and ADIF

The following assumptions have been adopted in preparing the stand alone APG and ADIF for the year ending 30 June 2006:

Net property income

Net property income comprises gross property rental income, recoveries from tenants and other ancillary income from investment properties less direct property related expenses and outgoings. Forecast property rental income is based on existing leases and, where applicable, forecasts of changes on review and renewal based on existing lease terms. Factors taken into account in determining forecast changes include:

- market conditions in the asset classes in which APG and ADIF operate;
- economic conditions, including CPI growth rates and general economic growth rates; and
- lease renewals, either to existing tenants or alternative tenants at market rates. Where appropriate, allowance is made for vacancy provisions and incentives.

Property expenses and outgoings are forecast on a property by property basis and allow for both recoverable and non-recoverable expenses and outgoings. Recoverable expenses typically include expenses that directly relate to the operation of the property, such as cleaning, rates and taxes, light and power, repairs and maintenance, security, insurance, property management and supervision and other sundry expenses. Non-recoverable expenses typically include such items as leasing costs and legal fees.

Net property income is reported after allocating indirect APG and ADIF overhead expenses incurred. These overhead expenses are generally expected to increase in line with asset growth, where expenses are a function of asset values, and with inflation. The method of allocating these overheads is consistent with that adopted in historical periods.

Net mortgage investment income

Net mortgage investment income largely comprises interest earned on property-related mortgages less certain direct expenses incurred in relation to the loan portfolio and, in respect of ADIF where applicable, performance fees payable upon meeting certain benchmark returns.

Forecast interest income is based on mortgage investment loans existing as at 30 June 2005 and their respective terms and interest rates, adjusted for pro forma net repayments of mortgage loans since 30 June 2005 as outlined in section 5.5.3. Where mortgages have been repaid since 30 June 2005 or are due to expire during the forecast financial year, no reinvestment of proceeds of net repayment have been assumed in the forecast financial information.

Net mortgage investment income is reported after allocating indirect APG and ADIF overhead expenses incurred. These overhead expenses are generally expected to increase in line with asset growth, where expenses are a function of asset values, and with inflation. The method of allocating these overheads is consistent with that adopted in historical periods.

Net funds management income

Net funds management income typically comprises property management fees, funds management fees, performance fees, consulting fees and income, acquisition and due diligence fees, capital raising fees and other ancillary income.

The forecasts only include income that is considered to have a relatively high degree of certainty as to its derivation.

APG charges a property management fee to each property it manages. Management fees are typically based on the underlying property rental income generated from the property. Forecast property management fees are consistent with current property service agreements and forecast rental income for each property.

APG charges a management fee as responsible entity for the AIT and management fee in respect of AGPL, based on gross asset value. Forecast management fees are consistent with the constitution of AIT and management agreement in respect of AGPL and forecast gross asset values.

APG may earn performance fees from ADIF in respect of out performance against a benchmark return in relation to ADIF's mortgage investment portfolio and from ADIF and other managed investment schemes in respect of out performance against a benchmark return on property disposals. Performance fees in relation to ADIF mortgage investment portfolio have been assumed based on current interest rate levels and expected fund performance for the period. No performance fee has been assumed in relation to property disposals in the forecast financial information.

APG may charge capital raising fees in relation to capital raised from the public for managed investment schemes where Abacus acts as responsible entity. Forecast capital raising fees are based on forecast capital to be raised in respect of a number of managed investment schemes and the constitutions of such schemes. No capital raising fees are forecast in respect of ADIF as it closed to new capital on 17 December 2004.

APG may charge acquisition fees in relation to investment properties acquired by entities for which Abacus acts as responsible entity. Acquisition fees are forecast based on an assumed level of investment property acquisitions in respect of ADIF and other managed investment schemes at rates consistent with their respective constitutions.

APG may earn consulting fees and other such income from arranging and, in some cases, underwriting various products and transactions eg. renounceable sales contracts. The forecast includes a level of assumed consulting income, based on both transactions currently in place and a level of assumed deal flow which is consistent with historical levels.

Net funds management income is reported after allocating indirect APG overhead expenses incurred. These overhead expenses are generally expected to increase in line with asset growth, where expenses are a function of asset values, and with inflation. The method of allocating these overheads is consistent with that adopted in historical periods.

Net development and investment income

Net development and investment income typically includes a share of equity accounted joint venture profits and change in net market value of certain investments. Forecast net development and investment income is based on transactions completed to date and profits assumed for developments that have a relatively high probability of realisation in relation to equity accounted joint venture profits and current market values of investments accounted for at net market value.

Net development and investment income is reported after allocating indirect APG and ADIF overhead expenses incurred. These overhead expenses are generally expected to increase in line with asset growth, where expenses are a function of asset values, and with inflation. The method of allocating these overheads is consistent with that adopted in historical periods.

Net financing costs

Net financing costs represent the net borrowing costs at market interest rates plus borrowing margins and fees, for both APG and ADIF's interest bearing debt portfolio. Net interest expense takes into consideration the following factors:

- existing interest bearing debt at 30 June 2005 and the maturity profile of that debt;
- existing interest rate swap arrangements at 30 June 2005;
- the impact of pro forma net adjustments on interest bearing debt portfolio, eg. increases in external debt to assist in the funding of newly acquired investment properties and decreases in external debt utilising the proceeds of recent capital raisings and other available cash reserves, as set out in section 5.5.3;
- forecast capital expenditure for existing and pro forma adjusted investment properties. The forecast implicitly assumes the Merged Group will fund required capital expenditure by utilising available cash reserves or unused interest bearing debt facilities;

- the refinancing of existing debt facilities as they mature, based on existing borrowing margins and line fees. It is assumed that the existing borrowing margins for both APG and ADIF on a stand alone basis will remain unchanged over the forecast period;
- no forecasts for movements in market values of derivatives as the directors believe that there is no reasonable basis on which to make forecasts in relation to future interest rates or general market conditions and that these are matters outside their control. Accordingly, neither the APG or ADIF are able to accurately quantify the impact of these unknown conditions on the forecast financial information.

Amortisation of intangible assets

Amortisation of intangibles, under AGAAP, for APG relates to amortisation of goodwill and to amortisation of management rights for ADIF.

As noted in section 5.4.4, under AIFRS, goodwill will no longer be systematically amortised but rather will be subject to annual, or more regular, impairment testing. It is assumed that the carrying value of APG goodwill will not be impaired and subject to a write down against profit. Management rights are subject to a fixed term contract and accordingly will continue to be amortised over the life of the management contract.

Changes in fair value of investment properties

No forecasts for future valuations of properties has been assumed for the forecast period as the directors believe there is no reasonable basis on which to make forecasts in relation to future capitalisation rates, property yields or general market conditions and that these are matters outside their control. Accordingly, neither the APG or ADIF are able to accurately quantify the impact of these unknown conditions on the forecast financial information.

Distributions paid and payable

Distributions paid and payable for APG is based on APG securities on issue at 30 June 2005, adjusted for additional APG securities issued in August 2005 after the completion of the capital raising, at the distribution rates set out in section 5.8.

Distributions paid and payable for ADIF is based on ADIF securities on issue at 30 June 2005 (ADIF was closed to new capital on 17 December 2004) at the distribution rates set out in section 5.8.

5.6.3 Assumptions for pro forma forecast aggregated Income Statements for the Merged Group

The assumptions adopted in preparing the stand alone forecasts for APG and ADIF as set out in sections 5.6.1 and 5.6.2 have also been used in preparing the pro forma forecast aggregated Income Statement for the Merged Group as set out in section 5.4.3. The additional assumptions relevant to the preparation of the pro forma forecast aggregated Income Statement are set out below.

Merger eliminations

In preparing the pro forma forecast aggregated Income Statement for the Merged Group for the year ending 30 June 2006, the inter-entity transactions between the APG and ADIF have been eliminated, including:

- elimination of property management fees and asset management fees charged by APG to ADIF;
- elimination of property acquisition fees and performance fees charged by APG to ADIF; and
- elimination of interest charged by APG to ADIF on loan funds advanced by APG;

In addition, brokerage commissions payable to financial advisers in respect of capital raised for ADIF have been eliminated as this will no longer be payable.

Net property income

Net property income represents the net income generated from both APG and ADIF investment property portfolios and is based on the stand alone forecasts for APG and ADIF and incorporates any applicable eliminations.

Net property income includes an allocation of indirect Merged Group overhead expenses incurred. The method of allocating these overheads to Merged Group net property income is consistent with that adopted for the stand alone forecasts.

Net mortgage investment income

Net mortgage investment income represents the net income generated from both APG and ADIF mortgage investment portfolios and is based on the stand alone forecasts for APG and ADIF and incorporates any applicable eliminations.

Net mortgage investment income includes an allocation of indirect Merged Group overhead expenses incurred. The method of allocating these overheads to Merged Group net mortgage investment income is consistent with that adopted for the stand alone forecasts.

Net funds management income

Net funds management income represents the net funds management income generated by APG after elimination of inter-entity fees charged and is based on the stand alone forecast for APG and incorporates any applicable eliminations.

Net funds management income includes an allocation of indirect Merged Group overhead expenses incurred. The method of allocating these overheads to Merged Group net funds management income is consistent with that adopted for the stand alone APG forecast.

Net development and investment income

Net development and investment income represents the net development and investment income generated from both APG and ADIF joint ventures and other investments and is based on stand alone forecasts for APG and ADIF incorporating any applicable eliminations.

Net development and investment income includes an allocation of indirect Merged Group overhead expenses incurred. The method of allocating these overheads to Merged Group net development and investment income is consistent with that adopted for the stand alone forecasts.

Net financing costs

Net financing costs represent the net borrowing costs referable to both the APG and ADIF interest bearing debt portfolios and are based on the stand alone forecasts of APG and ADIF and incorporate any applicable eliminations. There is no forecast for movements in market values of derivatives for the forecast period as the directors believe that there is no reasonable basis on which to make forecasts in relation to future interest rates, or general market conditions and that these are matters outside their control. Accordingly, the Group is unable to accurately quantify the impact of these unknown conditions on the forecast financial information.

Amortisation of intangible assets

Amortisation of intangibles represents amortisation of management rights for ADIF and is based on stand alone forecasts for APG and ADIF. Due to the anticipated growth of the Group's funds management business generally, it is assumed that the carrying value of Merged Group goodwill will not be impaired and subject to a write down against profit.

Changes in fair value of investment properties

No forecasts for future valuations of properties has been assumed for the forecast period as the directors believe that there is no reasonable basis on which to make forecasts in relation to future capitalisation rates, property yields or general market conditions and that these are matters outside their control. Accordingly, the Group is unable to accurately quantify the impact of these unknown conditions on the forecast financial information.

Tax expense

Tax expense has been forecast on the assumption of no legislative changes to the current taxation laws. The income tax expense of the Merged Group relates to the activities of the Merged Group. Under current income tax legislation, AT and AIT will not be liable for income tax provided they distribute their taxable income to APG security-holders and ADIF security-holders each year. It is assumed that both AT and AIT will distribute sufficient income to ensure neither will be liable for income tax.

Under AIFRS, deferred tax expense is recognised based on the differences between tax values and book values in the forecast period. Given no asset revaluation forecast has been assumed, no material change to tax expense is assumed as a result.

5.7 Sensitivity Analysis

The forecast pro forma financial results may not be met for a variety of reasons. A number of risks that could impact the forecast results of the Merged Group are summarised in section 4.5.

Set out below is a summary of the sensitivities of certain pro forma financial information to variations in a number of key assumptions. The sensitivities have been expressed on an annualised basis. Each sensitivity reflects the estimated impact on forecast earnings and distributions to security-holders of the Merged Group for the year ending 30 June 2006.

Care should be taken in interpreting these sensitivities. The changes in key variables set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may occur.

The estimated impact of the changes in each of the variables has been calculated in isolation from changes in other variables over the full year. In practice, changes in variables may offset each other or may be incremental, and it is possible that the Merged Group would respond to any adverse change in one variable by taking action to minimise the net effect on the results of the Merged Group.

The impact of the sensitivities below apply equally to both favourable and unfavourable movements in assumptions.

	Pro forma forecast June 2006 $'000
Pro forma forecast aggregated net profit after tax	55,663
Impact of movement in:	
• interest rates of 0.25% per annum on unhedged finance charges	66
• operating expenses by 2.5%	170
• non management fee funds management income by 5%	261
• development and investment income by 5%	194

The above table illustrates the impact of a movement in interest rates on the unhedged portion of the Merged Group's debt. Any change in interest rates is likely to have greater impact on future years where the Merged Group's debt is currently hedged to a lesser extent. Given the Merged Group's extensive property activities, any movement in interest rates may also impact underlying earnings before interest and asset valuations.

Sensitivities relating to the operating performance of the Merged Group as they relate to the underlying net property income have not been estimated as that income stream is subject to existing tenancy agreements. In practice, forecast net property income typically reflects growth in relatively stable income of approximately 2% to 4% per annum based on lease agreements and whether lease reviews are subject to inflation, fixed rate or market rate adjustments. The directors believe that these factors, whilst variable and subject to change, cannot be meaningfully expressed in the context of sensitivity analysis.

Sensitivities relating to net mortgage investment income of the Merged Group have not been estimated as that income stream is based on existing loan arrangements in place and should not be subject to material changes over the forecast period.

Sensitivities relating to the property and asset management fee component of the funds management income of the Merged Group have not been estimated as these income streams are based on existing gross property rentals and asset values and should not be subject to material changes over the forecast period.

Investors should be aware that AIFRS requires that changes in the fair value of underlying investment properties and changes in the fair value of derivatives and other treasury arrangements, where such arrangements do not qualify for hedge accounting, be taken to the Income Statement. This may introduce considerable volatility in the future reported earnings of the Merged Group. These items will be taken into consideration in determining distributions payable to investors.

5.7.1 Future capital raising

In addition, APG may undertake capital raisings to assist in the funding of investment property acquisition and other investment opportunities that may arise in the ordinary course of its business activities.

The table below sets out a comparison of certain financial outcomes assuming APG undertook a capital raising of approximately $90 million. Under the ASX listing rules, APG may issue up to 15% of the current number of APG securities in any 12 month period without APG security-holder approval, plus it may issue further APG securities under a Security Purchase Plan.

For the purposes of the sensitivity analysis, the additional capital is assumed to earn at least the pro forma distribution rates of APG and the Merged Group for the year ending 30 June 2006 and accordingly assumes no net impact on Earnings per security or Distribution per security.

	Current pro forma		with pro forma impact of $90m additional capital	
	APG Stand alone	Merged Group	APG Stand alone	Merged Group
Net assets - $ million	453.1	551.8	541.6	640.3
Net asset backing per security – $[1]	1.18	1.19	1.20	1.21
Net tangible assets per security – $[1]	1.09	1.12	1.13	1.15
Gearing %[2]	23.6	30.5	20.7	27.5
APG securities on issue – million[1]	385.5	464.7	449.8	529.0

1. Assumes an additional 64.3 million securities issued at $1.40 per security - $90 million capital raised

2. Assumes capital raised is invested in other assets apart from cash for purposes of calculating net debt gearing ratio

5.8 Distribution Policy

The Merged Group seeks to provide a reliable and stable and, if possible, increasing distribution to investors over time.

The Merged Group will seek to distribute, at a minimum, the net taxable income of AT and AIT and accordingly, under current tax arrangements, the trusts should not then be liable for income tax. In addition, distributions may include other amounts that the directors determine should be taken into account, for example certain gains and losses and other items as considered appropriate.

Investors in the Merged Group may receive distributions or dividends from any or each component of the Merged Group, ie. from any or all of AT, AIT, AGHL and AGPL. It is intended that combined distributions will be paid quarterly within two months of the end of the quarter.

In determining the distributions payable to investors, the reported after tax profit may also be adjusted for the impact of adoption of AIFRS. Under AIFRS, the Income Statement will now include a number of new items that may not be taken into account for the purposes of determining distributions payable. Reported net profit after tax may be significantly impacted by future changes in the fair value of investment properties and movements in interest rates that may impact on the mark to market of the Merged Group's financial derivative instruments and related treasury arrangements. As such, investors should be aware that these items may introduce considerable volatility in the reported earnings of the Merged Group.

In particular, the following items may significantly impact reported net profit after tax but are expected, as a general rule, to be adjusted for the purpose of determining the distribution payable to investors:

- unrealised changes in the fair value of investment properties (both increases and decreases) required to be reported in the Income Statement;
- unrealised changes in the fair value of derivative financial instruments (both increases and decreases) required to be reported in the Income Statement.

5.8.1 Distributions payable for the December 2005 and March 2006 quarters

Distributions payable by APG and ADIF for the quarters ending 31 December 2005 and 31 March 2006 to investors who hold APG securities and ADIF securities on the respective record dates will be paid in early February 2006 and May 2006 respectively.

APG has announced an increase in the distribution payable to APG investors from 1 January 2006 to 3.0 cents per APG security.

Existing investors in APG and ADIF will receive the following distributions:

Quarter ending	APG Quarterly distribution	ADIF Quarterly distribution
31 December 2005	2.9000	2.3125
31 March 2006	3.0000	2.3125

If the Merger proceeds, for the purposes of preparing the pro forma Income Statement for the year ending 30 June 2006, the full year distribution is forecast to be 11.80 cents per Merged Group Stapled Security, ie. 2.90 cents per APG security in respect of the quarter ended 30 September 2005 and the quarter ending 31 December 2005 and 3.0 cents per APG security for the quarter ending 31 March 2006 and 3.0 cents per Merged Group Stapled Security for the quarter ending 30 June 2006.

If the Merger proceeds, distributions payable to investors in the Merged Group are forecast to be 12.0 cents per Merged Group Stapled Security (on an annualised basis).

5.8.2 Historical and forecast distributions per security

Set out below are certain historical and pro forma forecast distributions per security for APG, ADIF and the Merged Group. This information enables investors in APG and ADIF to compare the distributions per security they have received historically, and are forecast to receive for the year ending 30 June 2006, with their entitlement to pro forma forecast earnings and distributions following the Merger.

The information in the tables below compares:

- annual distributions per APG security and ADIF security for the years ended 30 June 2004 and 30 June 2005 expressed as cents per security;
- forecast distributions per APG security and ADIF security for the year ending 30 June 2006 expressed as cents per security; and
- pro forma forecast distributions per Merged Group Stapled Security for the year ending 30 June 2006 expressed as cents per security.

These pro forma forecasts reflect the forecast distributions the holder of one APG security or one ADIF security will be entitled to, based on the Merger being implemented on 31 March 2006 and those holders converting that one APG security or ADIF security into Merged Group Stapled Securities. The pro forma forecast distributions are based on the pro forma aggregated forecast financial information set out in section 5.4.3 and the underlying assumptions set out in section 5.6.

	Pre Merger Historical		Post Merger Pro forma forecast[1]
APG	2004	2005	2006
Distribution per APG security (cents)	11.28	11.40	11.80
Tax advantaged and tax deferred			
% concessional capital gains	-	-	-
% tax deferred[2]	-	21	23

1. The post-Merger forecast reflects pro forma forecast distribution per APG security for the year ending 30 June 2006 of 11.80 cents converted at the Merger Ratio of 1:1 for APG security-holders.
2. The Australian tax consequences of receiving a trust distribution with a tax deferred component depends in part on the cost base of holders of the underlying AT units forming part of the APG securities described in the Taxation Report in section 8 of the Explanatory Memorandum. Investors are strongly advised to read the Taxation Report in section 8 carefully to understand the Australian taxation implications of receiving a trust distribution with a tax deferred component post Stapling.

	Pre Merger Historical		Post Merger Pro forma forecast[1]
ADIF	2004	2005	2006
Distribution per ADIF security (cents)	9.00	9.25	9.20
Tax advantaged and tax deferred			
% concessional capital gains[2]	-	9	-
% tax deferred[3]	100	67	23

1. Reflects pro forma forecast distribution per Merged Group Stapled Security for the year ending 30 June 2006 of 11.80 cents converted at the Merger Ratio of 1: 0.78 for ADIF security-holders.
2. The taxable component of the 2005 distribution included capital gains (discounted by 50%) of approximately 0.85 cents per ADIF security arising from property disposals during the year. The tax advantaged and tax-deferred component of the 2005 distribution represents concessional capital gains of approximately 0.85 cents per ADIF security arising from property disposals during the year.
3. The Australian tax consequences of receiving a trust distribution with a tax deferred component depends in part on the cost base of holders of the underlying AIT units forming part of the ADIF securities described in the Taxation Report in section 8 of the Explanatory Memorandum. Investors are strongly advised to read the Taxation Report in section 8 carefully to understand the Australian taxation implications of receiving a trust distribution with a tax deferred component post Stapling.

5.9 Gearing and interest rate management

5.9.1 Gearing

Based on the Merged Group's pro forma Balance Sheet as at 30 June 2005 (section 5.5.2), the gearing of the Merged Group, calculated as a percentage of net debt to total assets, is estimated to be 30.5% following the completion of the Merger.

It is currently intended that long term gearing of the Merged Group be maintained within the range of 25% to 35%. However, the Merged Group is prepared to exceed this level should suitable acquisition or funding opportunities arise provided the Merged Group can return to its desired gearing range within a relatively short time frame.

The maturity profiles of APG, ADIF and the Merged Group financing facilities as at 30 June 2005 (without pro forma adjustments which have no impact on the maturity profile of the facilities) were as follows:

Financing facilities	APG $'000	ADIF $'000	Pro Forma Merged Group $'000
Due within 1 year	32,850	6,534	39,384
Due within 2 to 5 years	154,030	149,680	259,710
Due after 5 years	1,884	7,692	9,576
Total	**188,764**	**163,906**	**308,670**

It is anticipated that the Merged Group's short term (due within one year) debt will be refinanced, in the ordinary course of business, through longer term borrowings within the first 12 months after the Merger.

The Merged Group expects that its future debt refinancing requirements can be satisfied through existing and new bank facilities. However, the Merged Group may satisfy future refinancing requirements through capital market issuances. The mix of bank and capital market facilities will be determined by management taking into account market conditions at the time of refinancing.

5.9.2 Interest rate management

APG and ADIF have exposures to interest rate fluctuations from borrowings. To manage these interest rate exposures, both APG and ADIF have entered into interest rate swap arrangements to hedge a portion of their underlying interest rate exposures against fluctuations in floating interest rates.

Detailed below is a target fixed rate hedging profile of the Merged Group going forward:

Target fixed rate hedging profile	Pro forma Merged Group % of forecast debt at fixed interest rates
2006	70% - 90%
2007	60% - 80%
2008+	40% - 70%

At 30 June 2005, the pro forma Merged Group portfolio had:

- fixed 79% of its total debt facilities interest rate exposures at a weighted average fixed interest rate of 7.07%;
- a weighted average portfolio loan expiry maturity of 2.1 years;
- a weighted average portfolio interest rate of 6.92%; and
- a weighted average fixed rate expiry profile of 5.2 years.

PKF Corporate Advisers Pty Limited
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ABN 70 050 038 170
Liability limited by a scheme approved under Professional Standards Legislation

7 December 2005

The Directors
Abacus Group Holdings Limited
and
Abacus Funds Management Limited
(as responsible entity for the Abacus Trust)

and

The Directors
Abacus Group Projects Limited
and
Abacus Funds Management Limited
(as responsible entity for the Abacus Income Trust)

Level 34 Australia Square
264–278 George Street
SYDNEY NSW 2000

Dear Sirs

INDEPENDENT ACCOUNTANT'S REPORT ON PROSPECTIVE FINANCIAL INFORMATION AND PRO FORMA BALANCE SHEET

PROPOSAL TO MERGE ABACUS PROPERTY GROUP AND ABACUS DIVERSIFIED INCOME FUND

Introduction

You have requested PKF Corporate Advisers Pty Limited (**"PKFCA"**) to provide a report for inclusion in an Explanatory Memorandum which deals with a proposal (**"Proposal"**) that security holders vote to approve the merger of:

- Abacus Property Group (**"APG"**) (composed of the securities of Abacus Group Holdings Limited (**"AGHL"**) stapled to the securities of the Abacus Trust (**"AT"**)); and
- Abacus Diversified Income Fund (**"ADIF"**), (composed of the securities of Abacus Group Projects Limited (**"AGPL"**) stapled to the securities of the Abacus Income Trust (**"AIT"**)).

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The effect of the Proposal will be that the security holders of APG and ADIF will hold "**Expanded Stapled Securities**", with each such security comprising of:

- one AGHL share;
- one AT unit;
- one restructured AIT unit; and
- one restructured AGPL share.

It is proposed that the above securities will be quoted and traded together as a stapled security on the Australian Stock Exchange under the name of Abacus Property Group **("Merged Group")**.

We have prepared this Independent Accountant's Report **("Report")** on the following financial information as set out in Section 5 of a draft of the Explanatory Memorandum dated 7 December 2005 **("Explanatory Memorandum")** provided to us.

We understand that the directors of AGH, AGPL and AFM (as responsible entity for each of the AT and the AIT) **("Directors")** have included in the draft Explanatory Memorandum certain pro forma forecast financial information for AGH, ADIF and the Merged Group for the year ending 30 June 2006 and a pro forma balance sheet of the Merged Group as at 30 June 2005. Further details of this information are set out below.

Pro forma Balance Sheet

The Directors have included in the Explanatory Memorandum a pro forma balance sheet comprising the pro forma consolidation of audited historical financial information of APG and ADIF as at 30 June 2005, with certain adjustments for selected transactions occurring after that date and to show the effects of certain proposed transactions associated with the Proposal, as set out in Section 5 of the Explanatory Memorandum **("Pro forma Balance Sheet")**. The basis on which the Pro forma Balance Sheet has been prepared is set out in Section 5 of the Explanatory Memorandum.

We note that the Directors' Pro forma Balance Sheet as set out in Section 5 of the Explanatory Memorandum is based on the following:

- the audited balance sheets as at 30 June 2005 of each of the entities composing APG and ADIF;
- the audited balance sheet as at 30 June 2005 of each of APG (as a consolidated entity);
- unaudited adjustments to effect the pro forma consolidation as at 30 June 2005 of the entities composing APG and ADIF to form the Merged Group and unaudited adjustments reflecting selected events occurring after 30 June 2005 and the effects of certain proposed transactions associated with the Proposal, as set out in Section 5 of the Explanatory Memorandum, assuming that the Merged Group was formed, and Expanded Stapled Securities were on issue, with effect from 1 July 2005 **("Pro Forma Adjustments")**.

The Pro forma Balance Sheet is presented in accordance with Australian Accounting Standards applicable to financial reporting periods commencing on 1 July 2005 **("AIFRS")**.

The Pro forma Balance Sheet has been presented to illustrate the potential impact of the Proposal. However, it does not purport to present the results that would have occurred had the Merged Group operated on a stapled basis during the year ended 30 June 2005, or earlier periods.

The Pro forma Balance Sheet has been adjusted to reflect the impact of certain effects of the Proposal including:

- adjustments for the exclusion of inter-entity revenues, charges and dividends/distributions;
- adjustments for the effects of one-off changes in accounting policy;
- the elimination of inter-entity assets, liabilities and equity balances; and
- the inclusion of estimated liabilities for transaction costs incurred in relation to the Proposal.

No adjustments have been made to include any expense (including income tax) savings that potentially may arise under the proposed new structure, (apart from management fees payable by ADIF to AFM).

The Pro forma Balance Sheet is presented in an abbreviated form and does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The Directors are solely responsible for the preparation and presentation of the Pro forma Balance Sheet, including the selection of the relevant Pro Forma Adjustments incorporated in the Pro forma Balance Sheet.

Prospective Financial Information

The Directors have also included in Section 5 of the Explanatory Memorandum certain pro forma prospective financial information, comprising the Directors' pro forma forecast Income Statements and distributions for the year ending 30 June 2006 for the following:

- ADIF as a stand alone entity;
- APG as a stand alone entity; and
- the Merged Group – representing the pro forma consolidation of ADIF and APG, assuming that they are a Merged Group and the Expanded Stapled Securities are on issue for the whole of the year ending 30 June 2006.

The above are referred to as the "**Forecasts**".

The Forecasts have been prepared on the basis that the proposed Merged Group is effective from 1 July 2005. The Forecasts are presented in accordance with Australian Accounting Standards applicable to financial reporting periods commencing on 1 July 2005 (AIFRS).

The basis on which the Forecasts have been prepared is set out in Section 5 of the Explanatory Memorandum.

The Forecasts have been adjusted to reflect the impact of certain effects of the Proposal including:

- in relation to the Merged Group, the exclusion of inter-entity revenues, charges and dividends/distributions;
- adjustments to the results for the effects of one-off changes in accounting policy;
- in relation to the Merged Group, the elimination of inter-entity assets, liabilities and equity balances; and
- the inclusion of estimated liabilities for transaction costs incurred in relation to the Proposal.

No adjustments have been made to include any expense (including income tax) savings that potentially may arise under the proposed new structure, (apart from management fees payable by ADIF to AFM).

There is a considerable degree of subjective judgement involved in the preparation of prospective financial information and the achievement of the Forecasts is subject to the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. Consequently, the actual results of ADIF and APG and the Merged Group may vary from the Forecasts and the variation may be materially positive or negative. Accordingly, investors should have regard to the Risk Factors set out in Section 4 of the Explanatory Memorandum and the Sensitivity Analysis set out in Section 5 of the Explanatory Memorandum.

The Forecasts have been presented to illustrate the potential impact of the proposed new structure for the Merged Group and the achievement of certain operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. The Forecasts do not purport to present the results that would have occurred had the Merged Group operated during the year ending 30 June 2006 and will not represent the results of the Merged Group for that year as it is expected that the Merged Group will only commence to operate after 31 March 2006, if the Proposal is implemented.

The Forecasts are presented in an abbreviated form and do not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The Directors are solely responsible for the preparation and presentation of the Forecasts, including the best-estimate assumptions underlying the Forecasts, which include the pro forma transactions on which the Forecasts are based.

The Pro forma Balance Sheet and Forecasts have been prepared for inclusion in the Explanatory Memorandum. PKFCA disclaims any assumption of responsibility for any reliance on this Report or on the Pro forma Balance Sheet and/or Forecasts to which it relates for any purposes other than that for which it was prepared. This Report should be read in conjunction with the Explanatory Memorandum.

This Report relates only to the Pro forma Balance Sheet and the Forecasts and does not extend to any other financial information included in the Explanatory Memorandum.

Scope of Review

Pro forma Balance Sheet

PKFCA has conducted a review of the Pro forma Balance Sheet included in Section 5 of the Explanatory Memorandum in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the Pro forma Balance Sheet is not presented fairly in accordance with the recognition and measurement requirements (but not all of the disclosure requirements) of applicable Accounting Standards in Australia and the Pro Forma Adjustments and accounting policies adopted by ADIF and APG as referred to in Section 5 of the Explanatory Memorandum.

PKFCA's review has been conducted in accordance with Australian Auditing Standard AUS 902, "Review of Financial Reports". Our procedures included such inquiries and procedures as we, in our professional judgement, considered reasonable in the circumstances and consisted primarily of:

- enquiry of Directors and management;
- review of the relevant documents and audited historical information of the underlying individual entities; and
- a review of the reasonableness of the Pro Forma Adjustments as a basis for compiling the Pro forma Balance Sheet.

PKFCA's review of the Pro forma Balance Sheet is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Pro forma Balance Sheet included in the Explanatory Memorandum.

Forecasts

PKFCA has conducted a review of the Forecasts included in Section 5 of the Explanatory Memorandum and the best-estimate assumptions underlying the Forecasts.

PKFCA's review has been conducted in accordance with Australian Auditing Standard AUS 902, "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and such other analytical review procedures we, in our professional judgement, considered reasonable in the circumstances. These procedures included discussion with the management of APG and ADIF and with certain of the Directors and have been undertaken in order to report as to whether anything has come to our attention that causes us to believe that:

- the best-estimate assumptions, when taken as a whole, do not provide reasonable grounds for the preparation of the Forecasts;
- in all material respects, the Forecasts are not properly compiled on the basis of the best-estimate assumptions or presented fairly in accordance with the recognition and measurement requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by ADIF and APG as referred to in Section 5 of the Explanatory Memorandum; and
- the Forecasts themselves are unreasonable.

PKFCA's review of the Forecasts and the best-estimate assumptions underlying the Forecasts is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Forecasts included in the Explanatory Memorandum.

Statements and Opinions

Pro forma Balance Sheet

Based on PKFCA's review, which is not an audit, of the Pro forma Balance Sheet set out in Section 5 of the Explanatory Memorandum, nothing has come to PKFCA's attention which causes it to believe that the Pro forma Balance Sheet is not presented fairly in accordance with the recognition and measurement requirements (but not all of the disclosure requirements) of applicable Accounting Standards in Australia and the Pro Forma Adjustments and accounting policies adopted by ADIF and APG as referred to in Section 5 of the Explanatory Memorandum.

Review of Forecasts

Based on PKFCA's review, which is not an audit, of the Forecasts set out in Section 5 of the Explanatory Memorandum, nothing has come to PKFCA's attention which causes it to believe that:

- the best-estimate assumptions set out in Section 5 of the Explanatory Memorandum, when taken as a whole, do not provide reasonable grounds for the preparation of the Forecasts;
- in all material respects, the Forecasts set out in section 5 of the Explanatory Memorandum are not properly compiled on the basis of the best-estimate assumptions or presented fairly in accordance with the recognition and measurement requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by ADIF and APG as referred to in Section 5 of the Explanatory Memorandum; and
- the Forecasts themselves are unreasonable.

The underlying assumptions are subject to significant uncertainties and contingencies, often outside the control of the Directors. If events do not occur as assumed, actual results achieved by ADIF, APG and/or the Merged Group may vary significantly from the Forecasts. Accordingly, PKFCA does not confirm or guarantee the achievement of the Forecasts, as future events, by their very nature, are not capable of independent substantiation.

Subsequent Events

Apart from the matters dealt with in this Report and elsewhere in the Explanatory Memorandum, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of APG and ADIF have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence

PKFCA is a member of the PKF accounting practice. PKFCA does not have any interest in the outcome of the Proposal other than in connection with the preparation of this Report and an independent expert's report set out in the Explanatory Memorandum, for each of which professional fees will be received.

The parties and the Directors have agreed to indemnify and hold harmless PKF, PKFCA, its directors and staff from any claims arising out of misstatement or omission in any material or information provided to PKFCA by APG and ADIF and the Directors.

PKFCA has consented to the inclusion of this Report in the Explanatory Memorandum in the form and context in which it is included. At the date of this Report, this consent has not been withdrawn.

General Advice Limitation

This Report has been prepared and included in the Explanatory Memorandum to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

PKFCA holds an Australian Financial Services Licence. As a holder of an Australian Financial Services Licence we are required to provide a Financial Services Guide in situations where we may be taken as providing financial product advice to retail clients. A copy of the PKFCA Financial Services Guide is set out in the Appendix to this Report.

Yours faithfully

Vince Fayad
Director

APPENDIX 1: FINANCIAL SERVICES GUIDE

This Financial Services Guide is issued in relation to an independent accountant's report (**"Report"**) on a certain Pro forma Balance Sheet as at 30 June 2005 and certain Forecasts included in an a draft of the Explanatory Memorandum dated 7 December 2005 (**"Explanatory Memorandum"**), the final form of which will be issued in relation to a proposal that Abacus Property Group ('**APG**') and Abacus Diversified Income Fund (**"ADIF"**) merge (**"Proposal"**) to form an expanded Abacus Property Group (**the "Merged Group"**). The Report has been prepared by PKF Corporate Advisers Pty Limited at the request of the directors (**"Directors"**) of each of Abacus Group Holdings Limited (**"AGHL"**), Abacus Group Projects Limited (**"AGPL"**) and Abacus Funds Management Limited (**"AFM"**) as the Responsible Entity for each of Abacus Income Trust (**"AIT"**) and Abacus Trust (**"AT"**). The Report is to accompany the notices of meeting and Explanatory Memorandum to be issued in respect of the Proposal.

PKF Corporate Advisers Pty Limited

PKF Corporate Advisers Pty Limited (ABN 70 050 038 170) (**"PKFCA"**) has been engaged by the Directors to prepare an independent accountant's report for inclusion in the Explanatory Memorandum.

PKFCA holds an Australian Financial Services Licence - Licence No: 247420.

Financial Services Guide

As a result of our Report being provided to you we are required to issue to you, as a retail client, a Financial Services Guide (**"FSG"**). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

We provide financial product advice by virtue of an engagement to issue a report in connection with the Proposal to acquire securities of another person.

Our Report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our Report (as a retail client) because of your connection with the matters on which our Report has been issued.

Our Report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the Report.

General Financial Product Advice

Our Report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to the Proposal described in the Explanatory Memorandum may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that we may receive

We have charged fees for providing our Report. The basis on which our fees are determined has been agreed with, and will be paid by, the person who engaged us to provide the Report. Our fees have been agreed on a fixed fee basis.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of PKFCA or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our Report was provided.

Referrals

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

PKFCA is the licensed corporate advisory arm of PKF New South Wales, Chartered Accountants and Business Advisers. The directors of PKFCA may also be partners in PKF New South Wales, Chartered Accountants and Business Advisers.

PKF New South Wales, Chartered Accountants and Business Advisers is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

PKFCA's contact details are as set out on our letterhead.

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, PKF Corporate Advisers Pty Limited, Level 10, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical.

If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Industry Complaints Service (**"FICS"**). FICS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. PKFCA is a member of FICS. FICS may be contacted directly via the details set out below.

Financial Industry Complaints Service Limited
PO Box 579
Collins Street West
Melbourne VIC 8007
Toll free: 1300 78 08 08
Facsimile: (03) 9621 2291
Email: www.fics@fics.asn.au

PKF Corporate Advisory

Abacus Property Group

and

Abacus Diversified Income Fund

Independent Expert's Report

7 December 2005

right size. right people. right answers.®

PKF Corporate Advisers Pty Limited
Australian Financial Services Licence 247420
ABN 70 050 038 170
Liability limited by a scheme approved under Professional Standards Legislation

7 December 2005

The Directors
Abacus Group Holdings Limited
and
Abacus Funds Management Limited
(as responsible entity for the Abacus Trust)

and

The Directors
Abacus Group Projects Limited
and
Abacus Funds Management Limited
(as responsible entity for the Abacus Income Trust)

Level 34 Australia Square
264 – 278 George Street
SYDNEY NSW 2000

Dear Sirs

INDEPENDENT EXPERT'S REPORT – PROPOSED MERGER OF ABACUS PROPERTY GROUP WITH ABACUS DIVERSIFIED INCOME FUND

Introduction

This report deals with the proposed merger (**"Proposed Merger"**) of each of:

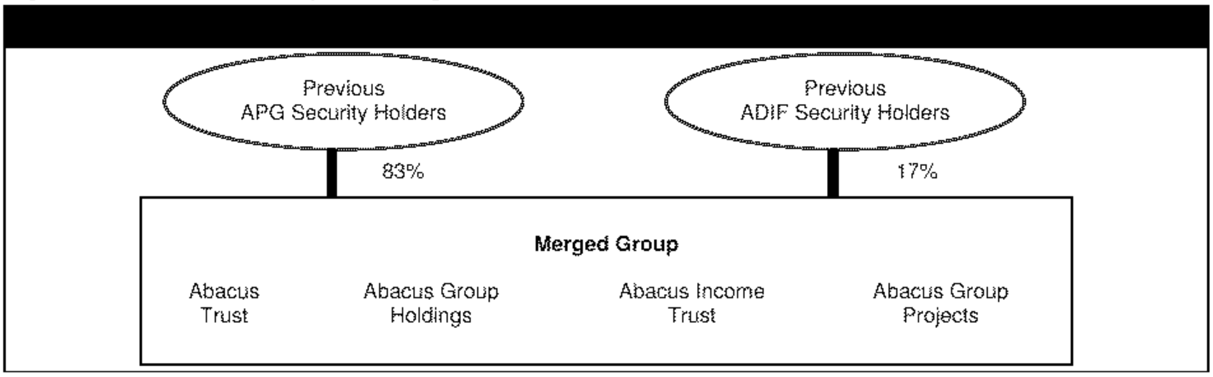
- Abacus Trust (**"AT"**) and Abacus Group Holdings Limited (**"AGHL"**), otherwise known as Abacus Property Group (**"APG"**); and
- Abacus Income Trust (**"AIT"**) and Abacus Group Projects Limited (**"AGPL"**), otherwise known as Abacus Diversified Income Fund (**"ADIF"**).

Implementing the Proposed Merger will result in an expanded Abacus Property Group (**"Merged Group"**). Following completion of the Proposed Merger, ownership of the Merged Group will be held as to 83% by the former stapled Security Holders of APG and as to 17% by the former stapled Security Holders of ADIF. The allocation of stapled securities in the Merged Group will be by way of a ratio known as the (**"Merger Ratio"**) (refer section 1.2 below). Prospective stapled security holders in the Merged Group are referred to herein as **"Security Holders"**, existing stapled security holders in APG are known as **"APG Security Holders"** and existing stapled security holders in ADIF are known as **"ADIF Security Holders"**.

Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales
Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au

Set out below is a diagrammatic illustration of the effects of the Proposed Merger:

Figure 1: Effects of the Proposed Merger



Source: APG

Purpose and Scope

PKF Corporate Advisors Pty Limited (**"PKFCA"**) has been informed that:

- the Corporations Act 2001 (Cth) (**"Act"**) does not require an independent expert's report (**"IER"**) to be provided to the Security Holders;
- however, the provision of an IER has been requested by the directors of AGHL, AGPL and Abacus Funds Management Limited (**"AFM"**) (as responsible entity for each of AT and AIT) (**"Directors"**) in fulfilling their duties as directors of AFM, AGHL and AGPL and ensuring that the Security Holders are given the necessary information to enable them to make informed decisions in relation to the Proposed Merger; and
- the independent expert is required to consider whether, in the expert's opinion, the Proposed Merger is "in the best interests" of the Security Holders:
  - of APG as a whole; and separately
  - of ADIF as a whole,

  and state the reasons for reaching those opinions.

Purpose

PKFCA has been appointed by the Directors to prepare this report to satisfy the requirements for an IER as described above. In this regard, the interests of the Security Holders of each of APG and ADIF have been considered from their respective points of view.

This report is intended to accompany the explanatory memorandum to be provided by the Directors to the Security Holders entitled to vote on the Proposed Merger (**"Explanatory Memorandum"**).

This report has been prepared to assist Directors in making their recommendation to the Security Holders and to assist the Security Holders in their considerations of whether or not to approve the Proposed Merger.

This report should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

Scope

Except as set out in the paragraph below, the scope of the procedures PKFCA has undertaken in preparing this report does not include verification work nor constitute an audit in accordance with Australian Auditing Standards (**"AUS"**).

However, PKFCA has been separately engaged to undertake a review in accordance with AUS 902 applicable to review engagements, of the Directors' pro forma forecasts for the financial year ending 30 June 2006 (**"FY2006"**) of each of APG and ADIF (and their constituent entities) and the Merged Group (and its constituent entities) (**"Forecasts"**) and the pro forma balance sheet of the Merged Group as at 30 June 2005 (with adjustments for certain events occurring subsequently to that date) (**"Pro forma Balance Sheet"**). The reports on the review of the Forecasts and the Pro forma Balance Sheet also accompany the Explanatory Memorandum.

Basis of assessment

The Act does not define the expression "in the best interests". However, guidance is provided by the Policy Statements (**"PS"**) and Practice Notes (**"PN"**) adopted by the Australian Securities and Investments Commission (**"ASIC"**), which establish certain guidelines in respect of IERs required under the Act. In particular, PKFCA has considered:

- PS 75 "Independent Expert Reports to Shareholders"; and
- PS 74 "Acquisitions Agreed to by Shareholders".

For the reasons outlined in paragraph 2.5 below, PKFCA has adopted the guidance set out in PS 74 that deals with acquisitions by a third party of a substantial interest in/control of a company in which the Security Holders not associated with the offeror (**"Non-associated Security Holders"**) hold securities, but where their securities will not themselves be acquired.

In PKFCA's opinion, PS 74 treats the term "fair and reasonable" as a single concept - what is fair and reasonable for Non-associated Security Holders should be judged in terms of all the circumstances of a proposal. The analysis must compare the likely advantages and disadvantages for the Non-associated Security Holders if a proposal is agreed to, with the likely advantages and disadvantages to those Security Holders if the proposal does not proceed and consider whether a premium for control is applicable. Comparing the value of the securities to be acquired under a proposal and the value of the consideration to be paid for them is only one element of this assessment. For the purposes of this report, we have proceeded on the basis that if the Proposed Merger is "fair and reasonable" to Security Holders, then it would also be "in the best interests" of the relevant Security Holders.

In undertaking the above assessment, PKFCA has considered the following matters in particular:

- an assessment of whether the proportion of the Merged Group respectively collectively received by each of the ADIF and APG groups of Security Holders is equitable, based on their relative contributions to the equity of the Merged Group;
- the likely impact of the Proposed Merger on each group of Security Holders in regard to the following matters, as compared to their likely respective positions if the Proposed Merger does not proceed:
  - earnings, distributions and asset backing;
  - gearing; and
  - taxation positions;
- the likely impact of market factors (such as price and liquidity) of the securities in the Merged Group, as compared to the conditions currently respectively experienced by APG and ADIF Security Holders;
- the existing legal structures, and management and control, of APG and ADIF and the effects of the Proposed Merger upon the same;
- the likelihood of alternative transactions that could realise better value, for either group of Security Holders;

- any other advantages and benefits and costs, disadvantages and risks arising from the Proposed Merger; and
- the implications for APG and ADIF Security Holders of rejecting the Proposed Merger.

If the Proposed Merger is implemented, all the ADIF Security Holders will give up their collective control of ADIF to acquire a collective interest of 17% in the Merged Group, without relinquishing their existing securities. On the other hand, all the APG Security Holders will exchange their collective control of APG in return for the collective control of the Merged Group. In consideration of these circumstances, we have assessed the collective position of ADIF Security Holders by comparing the collective assessed value of their ADIF securities determined on a control basis with the collective assessed value of the Merged Group securities they will receive (determined on a minority interest basis).

As all the APG Security Holders will obtain collective control of the Merged Group, it would be consistent with the approach adopted in respect of ADIF Security Holders to assess the position of APG Security Holders on the basis of comparing the collective assessed value of their securities in APG and the Merged Group, each assessed on a control basis. However, given that a change in control of APG/the Merged Group will not occur, we believe that it is more appropriate to have regard to the circumstances of individual APG Security Holders and have decided to asses their position by comparing the collective assessed value of their APG securities determined on a minority interest basis with the collective assessed value of the Merged Group securities they will receive, also determined on a minority interest basis.

The above approach results in the assessment of a control premium in respect of ADIF securities, but not in respect of APG and Merged Group securities.

Conclusion

In PKFCA's opinion, for the reasons set out in this report, the Proposed Merger is in the best interests of each of APG's and ADIF's Security Holders, in each case assessed as separate groups of investors.

In forming the above opinion, PKFCA has taken into consideration the following:

- Merger Ratio: in PKFCA's opinion, the proposed Merger Ratio represents a fair balance between the APG and the ADIF Security Holders, each as a group of investors, having regard to their respective assessed contributions of value to the Merged Group.

  We have evaluated the Merger Ratio by assessing whether the value of the Merged Group securities received by each group of APG and ADIF Security Holders fairly compensates them for the value of each group of securities held prior to the Proposed Merger.

  In the case of:

  - APG Security Holders - this assessment is based on a comparison of the value of one APG security held before the Proposed Merger (assessed on a minority interest basis), with the value of one security in the Merged Group (assessed on a minority interest basis) to be acquired pursuant to the Proposed Merger; and
  - ADIF Security Holders - this assessment is based on a comparison of the value of all the ADIF securities held by ADIF Security Holders (assessed on a control basis), with the value of all securities in the Merged Group to be acquired by ADIF Security Holders (assessed on a minority interest basis).

Set out below is a summary of the results of our analysis of values:

Table 1: Value analysis summary

Summary of midpoint values	ADIF	APG	Merged Group
Assessed values per stapled security			
Control value	$1.08		
Minority value		$1.40	$1.40
Consideration received per security held before the Proposed Merger			
ADIF (Note 1)	$1.09		
APG (Note 2)		$1.40	
Increase / (Decrease)	$0.01	$0.00	
Difference	0.9%	0.0%	

Source: PKFCA analysis

Notes:

1. Minority value of stapled securities received in Merged Group ($1.40 x 78%)
2. Minority value of stapled securities received in Merged Group ($1.40 x 100%)

We note from the above table that:

ADIF Security Holders

Following the Proposed Merger there is a slight increase in the value of their interests as compared with the value of their existing ADIF securities (assessed on a control basis). Accordingly, in our opinion, the Merger Ratio fully compensates for the value of ADIF securities currently held and the loss of collective control of ADIF that the ADIF Security Holders currently enjoy. Further, on the basis of the above analysis, we believe that the ADIF Security Holders as a group are being offered an appropriate premium for control.

APG Security Holders

Following the Proposed Merger there is no change in the value of their interests as compared with existing APG securities (assessed on a minority interest basis). Accordingly, in our opinion, the Merger Ratio fully compensates for the value of APG securities currently held.

Other advantages for both groups of Security Holders

- *Positive share market benefits*: in PKFCA's opinion, the Proposed Merger has a number of potential positive market value implications for all Security Holders, arising from:
  - potentially increased liquidity of securities in the Merged Group;
  - possible inclusion of the Merged Group in the Australian Stock Exchange (**"ASX"**) listed property trust (**"LPT"**) index and the S&P/ASX300 index; and
  - a more appealing size and asset structure that may attract a takeover offer from other entities operating in the industry;
- *Other potential advantages:* in PKFCA's opinion, the Proposed Merger should result in other major advantages for both groups of Security Holders including:
  - an improved platform for further growth of the Merged Group;
  - greater asset and income diversification and, consequently, lower investment risk;
  - potentially lower cost of debt and consequently, improvement in earnings; and
  - better access to equity and debt capital markets.

The above advantages, particularly in relation to diversification, can be summarised in the following table:

Table 2: Diversification summary

Aspect	APG	ADIF	Merged Group
Property type exposure	Commercial Retail Industrial Residential	Commercial Tourism Retail Industrial Residential	Commercial Tourism Retail Industrial Residential
Property location exposure	NSW, ACT and SA	NSW, VIC, QLD and SA	NSW, VIC, QLD, ACT and SA
Major tenant exposure	Top 5 tenants contribute 38.5% of total rental income	Top 5 tenants contribute over 50% of total rental income	Top 5 tenants contribute 28% of total rental income
Major property exposure	Top 5 properties contribute 70% of total rental income	Top 5 properties contribute 63% of total rental income	Top 5 properties contribute 45% of total rental income
EBITDA exposure (based on Forecast FY2006)[1]	Property investment-50% Mortgage lending- 25% Funds management and property investment banking-19% Property development-6%	Property investment-81% Mortgage lending-14% Property development-5%	Property investment-62% Mortgage lending-22% Funds management and property investment banking-10% Property development-6%

Note 1: Earnings before interest, taxes, depreciation and amortisation

- *Impact on distributions:* we have considered the impact of the Proposed Merger on likely distributions to be received. As evidenced in the below table, it is Forecast that (on a pro forma FY2006 basis), the Proposed Merger will not have any significant adverse impact upon distributions for either the APG or ADIF Security Holders:

Table 3: Impact on Forecast pro forma distribution - Proposed Merger not being implemented versus Proposed Merger being implemented

		Assuming Proposed Merger implemented		
Pro-Forma FY2006 Forecast distributions	No Proposed Merger (cents per APG or ADIF security)	(cents per Merged Group Security – on an equivalent basis[1]	Change (cents per Merged Group security)	%
APG	11.80	11.80	-	0.00%
ADIF	9.25	9.20	(0.05)	(0.54%)

Note: The above analysis has been performed on the basis that the distribution to ADIF Security Holders prior to the Proposed Merger is calculated on the basis of one ADIF security and the distribution to ADIF Security Holders after the Proposed Merger is calculated on the number of securities in the Merged Group (0.78) to be received for one security held in ADIF prior to the Proposed Merger.

We note that the above calculations are based on pro forma FY2006 Forecasts that include distributions on securities in the Merged Group of 2.9 cents per security for the quarters ended 30 September 2005 and ending December 2005 and 3.0 cents per security for the quarters ending 31 March 2006 and 30 June 2006. On the basis of an annualised distribution of 12 cents (three cents times four) per security in the Merged Group, an ADIF Security Holder would receive an annual distribution of 9.36 cents (12 cents times 0.78) per security, which exceeds the pro forma FY2006 Forecast distribution per ADIF security of 9.25 cents.

As at the date of this report, we are unaware of any likely alternative transaction currently available that could realise better value, for either ADIF Security Holders as a group or APG Security Holders as a group.

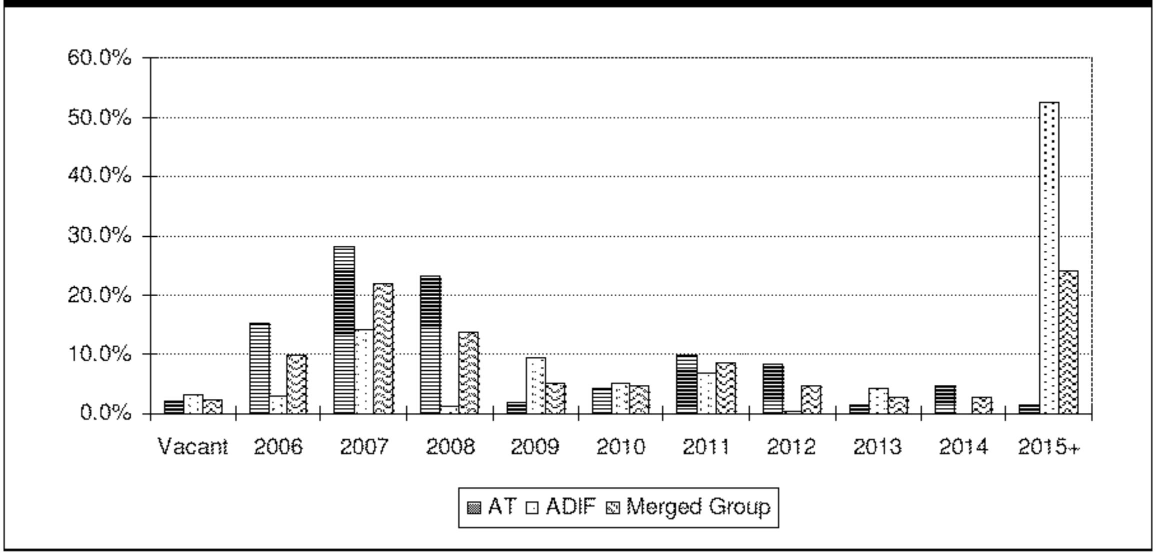
Set out below is a summary of the other key advantages and disadvantages arising from implementing the Proposed Merger that are specific to each group of Security Holders:

APG Security Holders

Advantages

- *Size and scale of APG property investment portfolio:* The Proposed Merger will improve the size and diversification of APG's current property investment activities, which may bring about economy of scale benefits.
- *Attractive yield:* The Proposed Merger will effectively result in APG combining with ADIF based on an attractive prospective distribution yield of approximately 8.4% (9.25 cents ÷ 109 cents per ADIF security). APG also avoids substantial acquisition costs (such as stamp duty) that would attend the acquisition of additional investment properties of an equivalent value to those owned by ADIF.
- *Lease expiry profile:* as evidenced by the below table, the Proposed Merger will result in the lease expiry profile of the Merged Group becoming less concentrated and lengthening beyond that of APG as currently existing as follows:

Table 4: Lease expiry profile



Other

- *Increased dependency upon property related assets:* the Proposed Merger will result in the Merged Group having higher earnings dependence upon property investment assets. This represents a change in emphasis from more dependence upon the less capital-intensive funds management and property investment banking business.

Disadvantages

We are unaware of any specific major disadvantages for APG Security Holders of implementing the Proposed Merger.

ADIF Security Holders

Advantages

- *Premium for control*: As a result of implementing the Proposed Merger, the ADIF Security Holders will obtain a premium for control of their securities, which is a significant advantage as compared with the likely discount for illiquidity and minority interest that may otherwise apply in the case of an individual ADIF Security Holder wishing to sell their ADIF securities in the absence of the Proposed Merger.
- *Impact on liquidity of ADIF securities:* From the viewpoint of ADIF Security Holders, a significant advantage arising from the Proposed Merger is that their securities will become listed, thereby providing significantly increased liquidity to their holdings.
- *Internalisation of management:* the Proposed Merger effects an internalisation of ADIF's management that is currently undertaken by APG. The major benefit of such an internalisation would be the elimination of the potential for conflicts of interest.
- *Addition of diversified income streams*: the Proposed Merger will result in the introduction to ADIF Security Holders of funds management and property investment banking activities and expanded property development and lending activities. The introduction of these businesses will contribute to broadening the range of income streams available to ADIF Security Holders and assist in maintaining ADIF Security Holders' income growth prospects. However, the property investment banking, property development and lending activities in particular have a different risk profile as compared with property investment income.

Disadvantages

- Loss of structural discipline: the existing separation of ADIF from its manager AFM provides a form of discipline on AFM's role as manager, as this role could be terminated upon a vote of ADIF Security Holders.
- Increased volatility: one of the attractions to investors of unlisted property investment vehicles is the lack of volatility (perceived or real) in the security value of the vehicle. Listing on the ASX will result in transparent price volatility of ADIF Security Holders' securities in the Merged Group to which they may not be accustomed.
- Lease expiry profile: conversely to the lessening of concentration and lengthening of the lease expiry profile to be enjoyed by APG Security Holders, for ADIF Security Holders, there will be the reverse effect.
- Tenure of investment: generally speaking, it is less likely that an unlisted property trust would be taken over as compared with a LPT. Should the Proposed Merger proceed, the ADIF Security Holders will be more exposed to the possibility of their investment being subject to a takeover offer for the Merged Group.

Overall

We have outlined above the overall advantages and disadvantages to the Security Holders on the basis of the Proposed Merger being implemented and we have also listed the specific advantages and disadvantages of implementing the Proposed Merger to ADIF and APG Security Holders. It is our view that the advantages outweigh the disadvantages in each case.

Implications for APG and ADIF Security Holders of rejecting the Proposed Merger

Set out below are the key implications for either group of Security Holders of rejecting the Proposed Merger:

APG Security Holders

In our opinion, APG Security Holders would be subject to the following issues:

- in the current property investment climate, continued difficulty in acquiring quality investment properties with attractive yields that do not dilute the prospective yield of APG;

- reduced size and scale of operations, which may adversely affect APG's ability to access capital at more attractive rates;
- due to the lack of size and scale, a restriction in the ability to compete in the acquisition of quality assets;
- a longer timeframe for APG to be included in major share market indices;
- potentially slower rates of future growth; and
- an increased risk that APG securities may fall in price below their underlying value and/or that an opportunistic takeover offer would materialise that would not encapsulate the full value of APG securities.

ADIF

In our opinion, the implications for ADIF Security Holders of the Proposed Merger not proceeding are less severe than those for the APG Security Holders. By continuing with the existing model, the implications for ADIF Security Holders are as follows:

- in the current property investment climate, continued difficulty in acquiring quality investment properties with attractive yields that do not dilute the prospective yield of ADIF;
- the continuation of an externally managed model, which does not necessarily fully align the interests of ADIF with the manager;
- the opportunity to diversify the earnings streams of ADIF by exposure to funds management and greater exposure to mortgage lending and property development activities (albeit, with increased associated risk);
- the liquidity of their securities in ADIF would remain constrained unless and until ADIF itself becomes listed;
- reduced size and scale of operations, which may adversely affect ADIF's ability to access capital at more attractive rates;
- due to the lack of size and scale, a restriction in the ability to compete in the acquisition of quality assets; and
- potentially slower rates of future growth.

Taxation consequences

Based on the Tax Report included Section 8 of the Explanatory Memorandum, broadly speaking, there are not expected to be any capital gains tax consequences for all Security Holders. However, we note that parts of the distributions to effect the Proposed Merger are likely to result in a reduction in the cost base of the investment for capital gains tax purposes and to the extent that a Security Holder has no remaining capital gains tax cost base, this will likely result in a capital gain. Security Holders should consult their own tax advisers to consider their individual potential taxation consequences of the Proposed Merger.

Security Holder circumstances

PKFCA has not considered the effect of the Proposed Merger on the particular circumstances of individual Security Holders. Some individual Security Holders may place a different emphasis on various aspects of the Proposed Merger from that adopted in our report. Accordingly, individuals may reach different conclusions on whether or not the Proposed Merger is in their particular best interests.

An individual Security Holders' decision in relation to the Proposed Merger may be influenced by their particular circumstances (including their taxation position) and, therefore, Security Holders are advised to seek their own independent advice.

This opinion should be read in conjunction with the full text of this report that sets out our findings.

Yours faithfully

Vince Fayad	**Peter Cornell**
Director	Principal

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1 MERGER DETAILS

1.1 The Proposed Merger and Stapling

The merging of ADIF and APG is to be achieved by means of a vote of the Security Holders of each entity in each investment group. We understand that implementing the Proposed Merger will require amendments to the constitutions of AGHL, AT, AIT and AGPL, resulting in the issue of securities of each entity in each group to investors in each other group and the stapling of the four securities to each other.

On completion of the Proposed Merger, the Security Holders of the Merged Group will hold an interest referred to in the Explanatory Memorandum as an "**Expanded Stapled Security**", comprising of the following:

- one AT unit;
- one AGHL share;
- one restructured AIT unit **("RAIT Unit")**; and
- one restructured AGPL share **("RAGPL Share")**.

These four securities will be quoted and traded together on the ASX and will be referred to as the Abacus Property Group.

1.2 The Merger Ratio

PKFCA understands that the Merger Ratio **("Merger Ratio")** allocates the proposed respective interests of APG and ADIF Security Holders in the Merged Group and has been determined by the Directors based on a number of considerations, including an assessment of the respective value contributed to the Merged Group by each group of Security Holders and the prospects of each entity.

The Merger Ratio for APG Security Holders is 1 Expanded Stapled Security for each APG security and the Merger Ratio for ADIF Security Holders is 0.78 Expanded Stapled Security for each ADIF security.

The Merger Ratio determines the entitlements of Security Holders in the Merged Group as follows:

Table 5: Security Holders' entitlements in the Merged Group

Entity	Merger Ratio	Number of Expanded Stapled Securities per 1,000 existing securities
AGHL	1.00	1,000
AT	1.00	1,000
AIT	0.78	780
AGPL	0.78	780

1.3 Relative Values

The Directors have determined the relative values of each of the four entities in the Merged Group assuming:

- an APG security value of $1.40 each; and
- a value of $110.9 million for all the equity in ADIF (or $1.09 per ADIF security).

The ADIF Merger Ratio of 78% is based on the proportion of the APG security value of $1.40 per security that is represented by the value attributed to an ADIF security of $1.09 (i.e. $1.09 divided by $1.40 equals 78%).

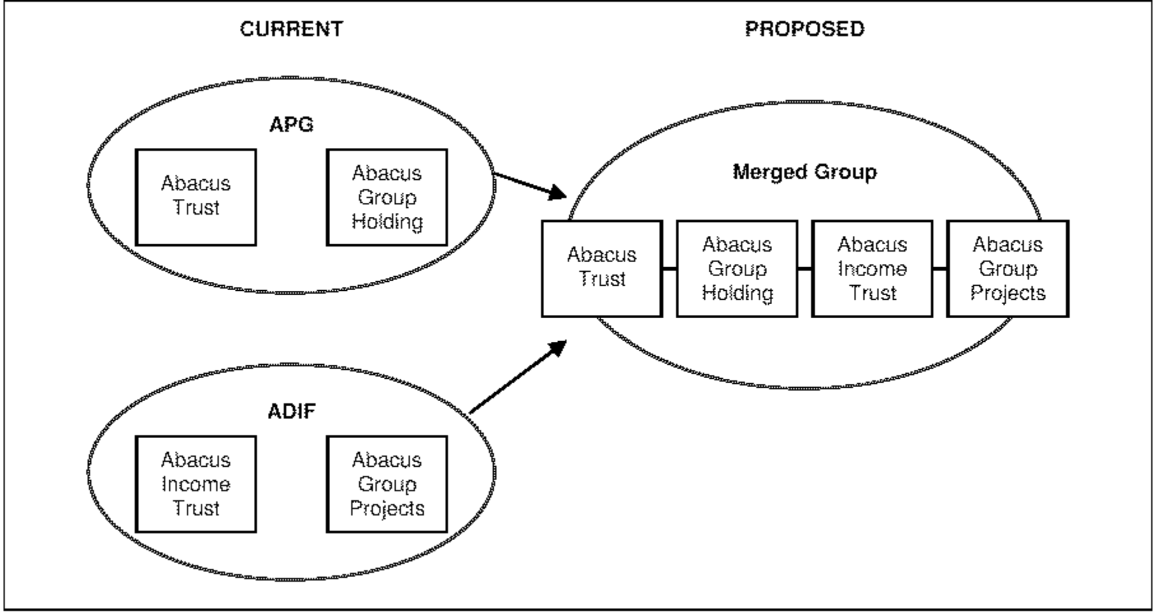
Based on the above values, set out is a table showing the respective values of the securities of APG and ADIF Security Holders as adopted for the purposes of determining the ultimate security holdings in the Merged Group.

Table 6: Aggregate values of securities

Entity	Merger Value $'000	% ownership of Merged Entity
AGHL	36,697	5.6%
AT	502,963	77.4%
APG	**539,660**	**83.0%**
AIT	105,342	16.2%
AGPL	5,544	0.8%
ADIF	**110,886**	**17.0%**
Value of Merged Group	**650,546**	**100.0%**

Structurally, the ownership of the Merged Group will be as follows:

Figure 2: Ownership of Merged Group



Source: APG

1.4 Summary of the mechanics of the Proposed Merger

The mechanics of the Proposed Merger can be summarised broadly as follows:

1.4.1 ADIF

- each AIT unit will be converted into 0.78 RAIT Units, with each holding being rounded up to the nearest whole number of RAIT Units;
- each AGPL share will be converted into 0.78 RAGPL Shares, with each holding being rounded up to the nearest whole number of AGPL Shares;

- each AIT unit holder will receive a distribution (**"Stapling Distribution"**) of $0.77718 per AIT unit to be applied on their behalf to subscribe for:
  - one AT unit for $0.77618 each; and
  - one AGHL share for $0.001 each.

In other words, AIT will pay a total distribution of 77.718 cents per unit to each AIT unit holder that will be allocated 77.618 cents per unit to acquire one AT unit and 0.1 cents per unit to acquire one AGHL Share.

The Stapling Distribution and issue to ADIF Security Holders of new AT units and AGHL shares is necessary to ensure that each ADIF Security Holder will hold the correct number of securities in the Merged Group to allow the Proposed Merger to proceed.

1.4.2 APG

- each AT unit holder will receive a Stapling Distribution of $0.15969 per AT unit to be applied on their behalf to subscribe for:
  - one RAIT Unit for $0.15869 each; and
  - one RAGPL Share for $0.001 each.

In other words, AT will pay a total distribution of 15.969 cents per unit to each AT unit holder that will be allocated 15.869 cents per unit to acquire one RAIT Unit and 0.1 cents per unit to acquire one RAGPL Share.

The Stapling Distribution and issue to APG Security Holders of new RAIT Units and RAGPL Shares is necessary to ensure that each APG Security Holder will hold the correct number of securities in the Merged Group to allow the Proposed Merger to proceed.

1.4.3 Summary of outcome

The outcome of the above is that one AGHL share, AT unit, RAIT Unit and RAGPL Share will be stapled together to form an Expanded Stapled Security, that will be listed on the ASX and known as an Expanded Stapled Security.

2 PURPOSE AND SCOPE OF THE REPORT

2.1 Background

PKFCA (also referred to as "**we**") have been informed that:

- the Act does not require an IER to be provided to the Security Holders in APG and ADIF;
- however, the provision of an IER has been requested by the Directors for the purposes of fulfilling their duties as Directors and to ensure that the Security Holders are given the necessary information to enable them to make informed decisions in relation to the Proposed Merger; and
- the independent expert is required to consider whether, in the expert's opinion, the Proposed Merger is in the best interests of the Security Holders of each of APG and ADIF and state the reasons for reaching those opinions.

2.2 Purpose

PKFCA has been appointed by the Directors to prepare this report to satisfy the requirements for an IER in relation to the above matter. In this regard, the interests of the Security Holders of each of APG and ADIF have been considered from their respective points of view.

This report is to accompany the Explanatory Memorandum to be provided by the Directors to Security Holders entitled to vote on the Proposed Merger.

This report also has been prepared to assist Directors in making their recommendation to the Security Holders and to assist the Security Holders in their considerations of whether or not to approve the Proposed Merger.

2.3 Scope

The scope of the procedures which PKFCA has undertaken in preparing this report is described earlier in this report.

2.4 Use of report

PKFCA acknowledges that its report may be lodged by the Directors with the ASX and other regulatory and statutory bodies. PKFCA has been advised that its report will be included in an Explanatory Memorandum to be sent to the Security Holders. PKFCA's IER has been prepared solely for the purpose noted in paragraph 2.2 above, and accordingly, this report should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

Apart from this IER and the reports on the Forecasts and Pro forma Balance Sheet, PKFCA is not responsible for the contents of the Explanatory Memorandum or any other document associated with the Proposed Merger. PKFCA has provided its consent for inclusion of this IER and the reports on the Forecasts and Pro forma Balance Sheet in the Explanatory Memorandum.

2.5 Basis of assessment

The Act does not define of the expression "in the best interests". However, guidance is provided by the Policy Statements and Practice Notes adopted by the ASIC, which establish certain guidelines in respect of IERs required under the Act. In particular, PKFCA has considered:

- PS 75 "Independent Expert Reports to Shareholders"; and
- PS 74 "Acquisitions Agreed to by Shareholders".

PS 75, relating to the assessment of takeover offers, creates the relevant standard of whether a takeover over is "fair and reasonable" to Security Holders of a company being acquired by an offeror. PS 75 treats the term "fair and reasonable" as a two separate concepts - an offer is "fair" if the value of the offer price or consideration is at least equal to the value of the securities the subject of the offer. PS 75 considers that an offer is "reasonable" if it is "fair" and it may also be "reasonable" if, despite not being "fair", Security Holders should, after considering other significant factors, accept the offer in the absence of a higher offer.

PS 75 gives limited guidance as to the meaning of "in the best interests", other than to imply that it is similar to "fair and reasonable".

PS 74 deals with acquisitions by a third party of a substantial interest in/control of a company in which the Non-associated Security Holders hold securities, but where their securities will not themselves be acquired.

PS 74 touches upon the concept of "fair and reasonable" but does not seek to define or explain the term or its component parts. PS 74 treats the term "fair and reasonable" as a single concept - what is fair and reasonable for Non-associated Security Holders should be judged in terms of all the circumstances of a proposal. The analysis must compare the likely advantages and disadvantages for the Non-associated Security Holders if a proposal is agreed to, with the likely advantages and disadvantages to those Security Holders if the proposal does not proceed and consider whether a premium for control is applicable. Comparing the value of the securities to be acquired under a proposal and the value of the consideration to be paid for them is only one element of this assessment.

Having regard to the above and standard industry practice, in PKFCA's opinion, the most appropriate basis on which to evaluate the Proposed Merger is to assess the overall impact on the Security Holders of each of APG and ADIF, and the available alternatives and to consider the advantages, disadvantages and risks of implementing or not implementing the Proposed Merger and form an overall view as to whether the Security Holders in each of APG and ADIF are likely to be better off if the Proposed Merger is implemented than if it is not.

In undertaking the above assessment PKFCA has considered in particular the following:

- an assessment as to whether the proportion of the Merged Group received by each group of Security Holders is equitable based on their relative contributions to the equity of the Merged Group;
- the likely impact of the Proposed Merger on each group of Security Holders, as compared to their likely respective positions (as a group) if the Proposed Merger does not proceed in respect of the following matters:
  - earnings, distributions, asset backing;
  - gearing;
  - taxation positions;
- the likely impact of market factors (such as price and liquidity) affecting the securities of the Merged Group, as compared to the conditions currently experienced by each group of APG and ADIF Security Holders;
- the existing legal structures, and management and control, of APG and ADIF and the effects of the Proposed Merger upon the same;
- the likelihood of alternative transactions that could realise better value, for either group of Security Holders;
- any other advantages and benefits and costs, disadvantages and risks arising from the Proposed Merger; and
- the implications for APG and ADIF Security Holders of rejecting the Proposed Merger.

PKFCA has not considered the effect of the Proposed Merger on the particular circumstances of individual Security Holders. Some individual Security Holders may place a different emphasis on various aspects of the Proposed Merger from that adopted in our report. Accordingly, individuals may reach different conclusions on whether or not the Proposed Merger is in their particular best interests.

An individual Security Holders' decision in relation to the Proposed Merger may be influenced by their particular circumstances (including their taxation position) and, therefore, Security Holders are advised to seek their own independent advice.

2.6 Reliance on Information

Our report is based on the information provided by the Directors. Except as otherwise indicated in this report, for the purposes of this IER we have not undertaken verification of the truth or accuracy of any information or material provided or made available. However, we note that nothing has come to our attention during the course of the engagement that would suggest that the information provided is not reliable.

Under the terms of PKFCA's engagement, the Directors have agreed to indemnify it and its ultimate owner PKF Chartered Accountants & Business Advisers, a New South Wales Partnership (**"PKF"**) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by the Directors, which is false and misleading or omits any material particulars, or arising from failure to supply relevant information.

2.7 Forecasts

In preparing the report, PKFCA had regard to the Forecasts. PKFCA understands that the Forecasts have been prepared as part of the ongoing management processes of each of APG and ADIF and for the purposes of the Proposed Merger.

For the purposes of this IER PKFCA understands, and has assumed, that the financial information provided:

- has been prepared on a reasonable basis and is based on the information available to management and Directors at the time, and within the practical constraints and limitations of such information; and
- does not reflect any material bias or "management stretch" target.

PKFCA has been separately engaged to undertake a review of the Forecasts and the Pro forma Balance Sheet as set out earlier in this report. In undertaking the review, PKFCA's procedures consisted primarily of investigation, enquiry and comparison and other such analytical review procedures we considered necessary. These procedures included discussions with the management of APG and ADIF and with Directors and have been undertaken in order to report as to whether anything has come to PKFCA's attention that causes it to believe that:

- the best-estimate assumptions, when taken as a whole, do not provide reasonable grounds for the preparation of the Forecasts;
- the Forecasts are not properly compiled on the basis of the best-estimate assumptions or presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by ADIF and APG;
- the Forecasts themselves are unreasonable; and
- the Pro forma Balance Sheet is not properly compiled or presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies and assumptions adopted by ADIF and APG.

PKFCA's review of the Forecasts, the best-estimate assumptions and the Pro forma Balance Sheet is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. PKFCA has not performed an audit and it does not express an audit opinion on the Forecasts or Pro forma Balance Sheet. Based on PKFCA's review of the Forecasts and the Pro forma Balance Sheet, which is not an audit, nothing has come to PKFCA's attention which causes it to believe that:

- the best-estimate assumptions, as summarised in paragraph 9.8.3 below, when taken as a whole, do not provide reasonable grounds for the preparation of the Forecasts;
- the Forecasts, set out in paragraph 9.1 below, are not properly compiled on the basis of the best-estimate assumptions or presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by ADIF and APG;
- the Forecasts themselves are unreasonable; and
- the Pro forma Balance Sheet set out in paragraph 9.9 below is not properly compiled or presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies and assumptions adopted by ADIF and APG.

Our report in this regard is set out in the Explanatory Memorandum.

The Forecasts are based on assumptions concerning future events and market conditions. While we understand that the Forecasts have been prepared with due care and attention, and the Directors consider the assumptions to be reasonable, future events and conditions are not predictable and the assumptions are subject to significant uncertainties.

Actual results are likely to vary from the Forecasts and any variation may be materially positive or negative. Neither the Directors, the parties to the Proposed Merger nor PKFCA or anyone else can or does guarantee that the Forecasts or any other prospective statement contained in this report will be achieved.

2.8 Current market conditions

This report is based on market conditions and information available as at the date hereof.

2.8.1 Sources of Information

Appendix 1 to this report identifies the information referred to, and relied upon by, PKFCA during the course of preparing this report and forming our opinion.

2.9 Assumptions

In forming PKFCA's opinion, the following has been assumed:

- that matters such as title, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, or disputes, other than as publicly disclosed;
- information in relation to the Proposed Merger provided to their respective Security Holders or any statutory authority by the parties is complete, accurate and fairly presented in all material respects;
- publicly available information relied on by PKFCA is accurate and not misleading;
- if the Proposed Merger is implemented, that it will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Proposed Merger are correct and effective.

3 AUSTRALIAN ECONOMIC CONDITIONS AND OUTLOOK

In the year ended 30 June 2005 the Australian economy grew at the rate of 2.3% and is now in its 15th successive year of growth, albeit at a slower pace as compared to recent prior years. The largest contributors to the slow-down are the fall in residential property markets and a decline in consumer spending. After rising by almost 39% in the two years to March 2004, house prices either levelled out in many cities or declined from mid-2004 (ABS house price index). House price movements have affected consumer spending and consumer confidence.

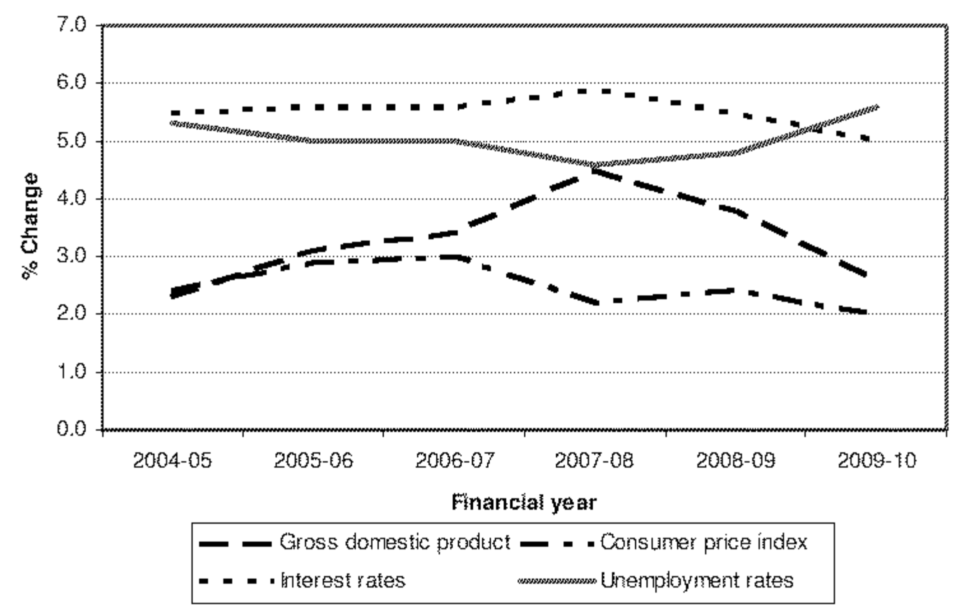
Overall, most economic indicators point to a robust economic situation, in particular:

- unemployment figures are at a 30 year low of around 5.1%;
- inflation pressures, while increasing slightly, are not too significant with rates of 3.1% for the September 2005 quarter which is just above the Reserve Bank's target band of 2% to 3% pa;
- the terms of trade ratio is at its highest level since 1974;
- federal and state governments are running budget surpluses; and
- corporate Australia has enjoyed very healthy profit growth in the region of 20%.

Domestically, a threat to the positive growth outlook is the high and growing trend in oil prices. Oil prices have risen by more than 40% since the start of 2005 to record levels, in nominal terms. This is believed to have contributed to the slowing in household expenditure and may impact business spending. Internationally, any general slowdown in the global economy brought on by surging oil prices, inflation and higher interest rates is likely to impact on the domestic economy and provide a further deterioration in the already large trade deficit.

In relation to interest rates, the Reserve Bank's monetary policy is close to neutral with the official cash rate at 5.5% recently left unchanged, although the Reserve Bank has made it clear that it is concerned about possible future rises in inflation. Generally, economists believe that a sharp rise in interest rates is unlikely in current market conditions. The following chart highlights some of the forecast national economic indicators (Access Economics Business Outlook September quarter 2005).

Table 7: Key economic indicators



Source: Access Economics Business Outlook September quarter 2005

4 AUSTRALIAN PROPERTY MARKETS

4.1 Property investment markets generally

According to Property Investment Research Pty Limited (**"PIR"**)[1], capitalisation rates on commercial properties are just about at record lows. With low inflation and a low risk free rate (the 10 year bond rate has been consistently under 6% pa since June 2002), PIR has been predicting since June 2005 that yields will reduce even further and yields have fallen about 25 basis points (**"bps"**) since then. PIR is expecting a further total fall in yields of 75bps over the next two years. Given these low yields and the high level of institutional ownership of investment grade commercial property, PIR believes it is fair to say that the property market in Australia has entered a mature phase. Yields are low and there is little stock available. Stock that is suitable for syndication is highly sought after and quickly snapped up.

According to PIR:

- institutional ownership of Australian investment grade properties was 91% for retail, 64% for office but only 38% for industrial properties. Industrial properties generally trade on a higher yield than office or retail properties - albeit with the inherent disadvantages of generally being single tenant properties with low barriers to entry;
- yields on retail properties are very low, at around 6% pa to 7% pa and when the yields on those properties compress further due to demand far outstripping supply, yields on retail properties will be close to the yield available on 10 year Government bonds;
- office properties also trading on low yields and there are few opportunities in this sector, given the level of risks involved. The vacancy rates for A and B grade offices in most major cities hovers around the 10% mark and there is a continuing supply of new speculative A grade offices in the main centres which is expected to keep the vacancy rate at around current levels. Therefore, there is greater income risk in office property than in the other main classes;
- over recent years the level of gearing in the unlisted syndicates and LPT sector has increased markedly, particularly those investment vehicles with overseas properties with high yield arbitrage. With lower yields on properties, managers need to arbitrage the yield differential between the yield on the property and the cost of debt to achieve an acceptable return. Tightening property yields are negating that benefit to investors. The benefits of increasing the gearing ratio further will be unlikely to compensate for the higher risk in a falling property yield environment;
- any real growth in the property funds industry in Australia will almost inevitably come from overseas, primarily as a result of the shortage of domestic investment grade properties. PIR expects more overseas properties to be syndicated in the unlisted investment sector. Already this behaviour is evident in the LPT sector and PIR reports that in CY2005 a significant percentage of overseas properties have been syndicated. The yield arbitrage that has been the driver of the increased returns from USA based properties is slowly evaporating as USA interest rates rise. Other countries will become the source of supply. Japan is an obvious example. Babcock and Brown have listed a Japanese trust. The yield arbitrage available there is considerable, even if the yield on the properties is low. However, only a small percentage of Japanese investment grade property is in the investment universe, the remainder being held by corporate entities; and
- the potential still exists in Australia for unlisted investment vehicles to include infrastructure property. Again, this behaviour already is evident in the LPT sector. Infrastructure property has a business component such as an airport, railway or toll road. These properties have higher yields but also higher risks, including business and operations risk.

[1] PIR *Monthly Review* October 2005

4.2 Residential property sector

4.2.1 Generally

The housing market is cyclical, but the recent boom has been a departure from previous cycles in many respects. The duration, though not the magnitude, of price rises was unprecedented. This has been a global event. The sustained rise in house prices brought windfall wealth to home owners in many countries, including Australia.

In Australia, house prices, construction activity and mortgage lending all rose to record levels after CY2000. At the peak of the cycle, around September 2003, investors accounted for almost half of all home lending. The number of apartments and the proportion of apartments in the construction mix set new records.

Over the past twelve months, the pace of activity in the residential market has slowed. In many of Australia's metropolitan areas the prices of established homes have ceased to rise while in some locations, Sydney in particular, the prices are falling. Overall, house prices in Australia fell 0.1% in the year to June 2005. Prices of newly constructed homes on the other hand have continued to rise, around 5.7% in the year to June 2005.

4.2.2 Historical performance

PKFCA notes that the slowdown in the market is not in line with past recessions and downturns. Due to interest rates not rising significantly and other economic factors such as employment and inflation being stable there has been no single sharp trigger to "burst the bubble". The downturn in the residential property market has been more gradual than that previously experienced in Australia. PKFCA also notes that one difference between this housing market cycle and previous ones is that the economy is presently in a transitory state, between a housing and consumer driven economy and that of a business, exports and internationally driven economy.

Rental markets are tight currently with vacancy rates close to five year lows in most capital cities. With the recent increases in house prices there is a larger proportion of people who either cannot afford to buy at present or would rather rent for the time being in case prices fall considerably in the near future. There have also been residential rental increases in most locations, Melbourne being one exception to this. Australian immigration rates are very high, which supports the rental market in Australian capital cities.

4.2.3 Residential sector prospects

PKFCA notes that house prices have an inverse relationship with interest rates and are more vulnerable to interest rate rises now than in the previous 15 years. It is noted that interest rates are fairly stable at present but with inflation now breaching the 2% to 3% RBA target zone, there is an added risk of interest rate rises. However, most economists believe that a sharp rise in interest rates is unlikely in current market conditions.

However, there may be a slightly greater risk of an increase of interest rates in light of the increase in inflation rates to just above the RBA target zone of 2-3% pa in the June 2005 quarter.

A sharp correction to residential property market is not expected; instead it is expected to either consolidate or recover. Affordability, which is currently at low levels, is expected to improve through a rise in wages as opposed to a drop in interest rates or reducing house prices. First time buyers are also expected to return to the market and will contribute up to 20% of the lending market for housing.

Australian house prices have a positive correlation with overseas migration movements. PKFCA notes that immigration is expected to result in rises in house prices over the next 12 to 18 months. Immigration Minister Amanda Vanstone announced increased skilled immigrant intake in FY2006 from levels of around 77,000 to 100,000 in FY2005.

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4.3 Retail property sector

4.3.1 Historical performance

Retail property continues to provide strong returns and is considered to be one of the safe options for investment.

Strong growth in consumer spending coupled with cost reducing productivity gains by the major stores and supermarkets have offset the negative impact of intense price competition between retailers. Simultaneously, consolidation of centre ownership and a strong portfolio demand for retail property assets continues to drive down yields, consequently boosting capital values. New retail formats such as bulky goods stores and factory outlet centres are now an integral part of the retail mixture.

Since 1985, the total returns for retail property (taking into account income plus capital growth) have averaged 13.1% pa. These returns compare to an average (accumulation) return of 11.8% pa from the Australian share market since 1985 (Macquarie Bank).

Retail property not only provided a strong total return, it was also the least volatile of investments, having less than one third the volatility of shares since 1985. In comparison, industrial property had less than half the volatility of shares, and office property had two thirds of the volatility of shares.

Retail rents have continued to increase in the year to June 2005 with varying levels of increases across locations and sub-markets as the following table shows.

Table 8: Specialty retail rental increases (%) year to June 2005

City	Regional	Sub-regional	Neighbourhood
Sydney	11.8	5.8	1.3
Melbourne	4.3	4.6	5.6
Brisbane	7.3	8.8	7.4

Source: CB Richard Ellis

4.3.2 Retail yields

The following table highlights the yields that retail property has been achieving in the main cities across Australia.

Table 9: CBD and enclosed centre yields at June 2005

	Prime CBD	Regional	Sub-regional	Neighbourhood
Sydney	6.00-7.50	5.50-6.75	6.00-7.00	6.25-7.50
Melbourne	4.50-5.50	5.75-6.75	7.00-7.50	7.25-8.00
Brisbane	6.50-7.25	6.00-7.00	6.75-7.50	7.00-7.75
Adelaide	6.75-7.50	6.25-7.00	7.00-8.50	7.75-8.75
Perth	7.50-8.25	6.00-6.50	7.00-7.50	8.00-8.50
Canberra	8.00-9.50	7.00-7.75	8.25-8.75	8.25-9.00

Source: CB Richard Ellis

From the table above, Canberra offers the highest retail yields.

PKFCA notes that of all the non-residential property markets, it is the retail market that has the highest correlation with 10 year bond yields. However, over the next two years, retail yields are likely to be impacted by rising bond yields.

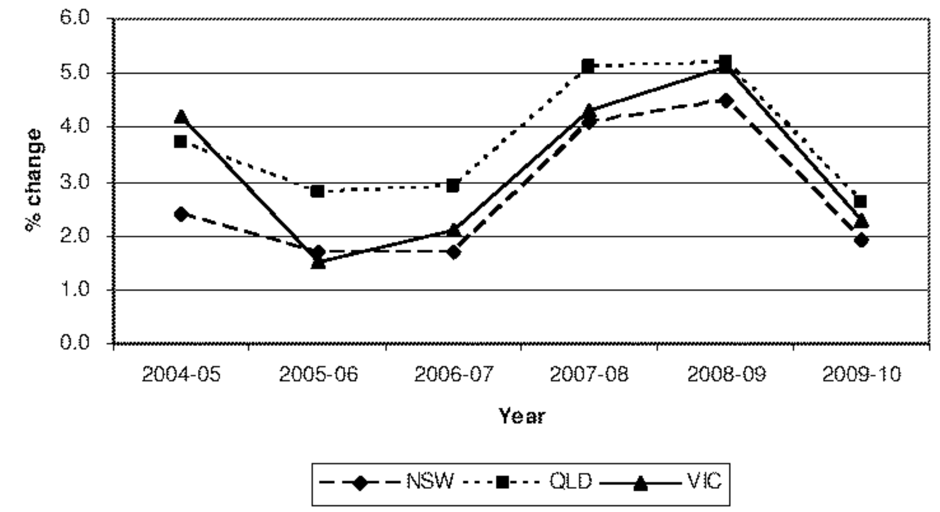
4.3.3 Retail property prospects

Retail growth and returns are not expected to continue as robustly as they have in the past. However, a sharp correction is not expected.

Given the slow down in consumer spending, food based retail is believed to now offer more attractive returns to investors. Properties with long leases and fixed base rents for tenants, usually linked to CPI, are favoured by investors. Conversely, the bulky goods sector is expected to be most heavily affected by a downturn in consumer spending. Additionally, underlying values of retail centres in the area of falling population growth will be more severely affected.

The following chart demonstrates the forecast change in retail turnover for the next five years in Australia's major three states, New South Wales, Queensland and Victoria:

Table 10: State by state retail turnover



Source: Access Economics Business Outlook September quarter 2005

It is likely that the expected slow down during FY2007 will impact the retail property sector. Following FY2007, there is expected to be a pick up in the growth rate of retail turnover from approximately 2% pa to approximately 4% pa to 5% pa. For the states in which APG and ADIF own retail property (that is, New South Wales, Queensland and Victoria), the overall trend fairly is similar although New South Wales is forecast to have slower growth than the other two states.

4.4 Tourism property sector

4.4.1 Historical performance

ADIF's tourism properties are located in Cairns and Brisbane, Queensland. In total, ADIF has over $50 million invested in tourism-related properties in the above two locations.

Brisbane's tourist accommodation market continues to benefit from an increase in visitor arrivals, overseas and domestic, and business and leisure. This increase, coupled with a limited increase in room supply has helped to lift occupancy levels and room rates. The reclassification of some properties has reduced supply in the four and five star market and also helped to lift average room rates within this segment.

Cost cutting on airline travel routes has made the cost of flying within Australia more affordable. Additionally, there have been strong advertising campaigns by State and Federal governments to discourage people from going overseas, with figures showing a 12.9% increase in domestic travel in the twelve months to April 2005.

4.4.2 Tourism sector prospects

Across Queensland, strong building approvals numbers in the second half of CY2004 suggest a solid pipeline of work ahead, including additional supply particularly of serviced apartments in the Gold Coast and refurbishment activity in Cairns. While demand is likely to stay strong, the new stock is expected to limit the scope for further increase in room rates over the medium term.

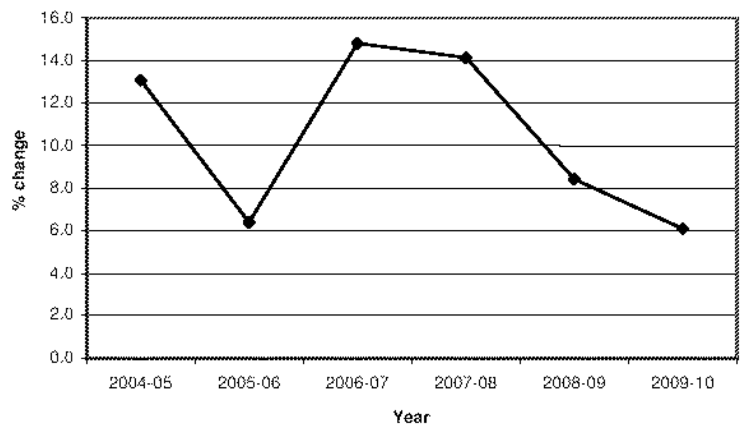
However, there are some factors which present a risk to the domestic and inbound tourism property sector. These factors include:

- terrorism remains a constant background threat;
- the possible bird flu outbreak; and
- rising oil prices are causing airlines to rethink pricing strategies, particularly on long haul flights. The arrival of larger, more fuel efficient aircraft on long haul flights in the future will assist in this regard.

We note that as per the Mirvac Economic & Direct Property Market Outlook (September 2005), hotels in Brisbane, Sydney and Hobart, plus those within a two hour drive of Sydney and Melbourne (i.e. those that rely on domestic tourists and corporate conference market) are likely to offer the most attractive returns in the short term.

The following chart shows the forecast annual changes in international tourist arrivals in the coming five years for the state of Queensland:

Table 11: Forecast International tourists to Queensland



Source: Access Economics Business Outlook September quarter 2005

The above chart indicates that the number of international tourist arrivals expected in the coming years is overall positive. However, in FY2006 there is expected to be a dip in the growth rate of tourist arrivals in Australia to just over 6%, albeit that this rate still represents a healthy growth rate. Subsequently, the number of international tourist arrivals in Queensland is expected to increase by over 14% (peaking in FY2008) before reducing to a lower level of 8% in FY2009.

According to Jones Lang LaSalle Hotel's Investor Sentiment Survey (June 2005), average investment yield requirements have lowered across the markets in expectation of improved income returns, with investors seeking the following broad level of yields: Sydney - 8.2% pa, Melbourne - 8.8% pa, Brisbane - 8.9% pa, and the Gold Coast - 9.5% pa. In comparison with the 2004 survey, the above yields represent a tightening of around 50 basis points, reflecting increased investor appetite for the tourism and hotel sector.

4.5 Industrial property sector

4.5.1 Historical performance

Industrial property is currently enjoying a boom period. With the Australian economy strong, increasing business investment, significant changes in the way businesses approach supply chain management and with various major improvements to transport infrastructure, the industrial property sector currently is performing well. Within the industrial property sector the demand for large scale warehouse and distribution centres is particularly strong.

Industrial property around major transport infrastructure such as in western Sydney, the Melbourne Citylink and Brisbane's coast around the airport are in strong demand from logistics and distribution companies. With demand being the key driver of rental growth, supply is somewhat constrained in areas where access and servicing are putting a cap on the supply of new industrial land.

Where distribution companies may have previously had a few locations in and around a large city such as Sydney, they now prefer to have one larger site on the outskirts which is feasible due to the improved transport infrastructure.

There has been a large increase in the values of industrial land in recent times, which is likely to limit the supply of industrial land in the near future and thus limit the growth of industrial property supply around the hot spots of transport infrastructure.

The following table illustrates the level of growth in values of industrial land in the year to March 2005:

Table 12: Land value growth

Location	Land value growth	Location	Land value growth
Sydney		**Melbourne**	
Arndell Park (Westlink M7)	23%	Richmond (Rezoning)	21%
Wetherill Park (Westlink M7)	11%	Dandenong (Mitcham-Frankston)	40%
Ingleburn (M5 east)	21%	Campbellfield (Ring road/Citylink)	27%
Silverwater	22%	Tullamarine (Ring road/Citylink)	33%
Brisbane			
Eagle Farm (Gateway Infrastructure)	44%		
Lytton (Gateway Infrastructure)	39%		
Geebung	43%		
Acacia Ridge	33%		

Source: Macquarie Bank Property Market Outlook

4.5.2 Industrial sector prospects

These increases in land value growth are not expected to be maintained in the coming periods.

Since approximately July 2005, there has been evidence of rental growth in the industrial sector. However, analysts are predicting that this growth in the next two years should not exceed three to four percent.

Industrial areas close to the city are expected to go through major changes. Mixed use zoning is accelerating the diminution of inner city land, allowing large scale residential, office business parks and even bulky goods development to occur in these areas.

With the cost of construction on industrial sites rising in the past year, coupled with increasing land values, the feasibility of some industrial site developments may be threatened.

According to our research, demand for industrial space in Melbourne and surrounding areas is expected to continue as various transport upgrades are commencing. The Craigieburn bypass, the Eastern Freeway extension and the Mitcham-Frankston Freeway is also likely to drive the demand for land in the sites alongside these routes.

In Queensland, the rising land values and construction costs are contributing to redevelopment and refurbishment activity in the traditional industrial areas. It is thought that the two most attractive areas going forward will be areas with access to the airport and port and the Ipswich area around the Swanbank Enterprise Park.

4.5.3 Industrial sector yields

Industrial yields have traditionally been higher than other property asset class yields as there is specialised property risk attaching to purpose built facilities and generally, a single or few tenants. However, due to an increase in institutional and property trust investment within this sector, this profile is now changing. We note that yields are now more in line with other property asset classes.

The following table highlights the average net rent per square metre and the yield range in the major locations:

Table 13: Net rent and yield ranges

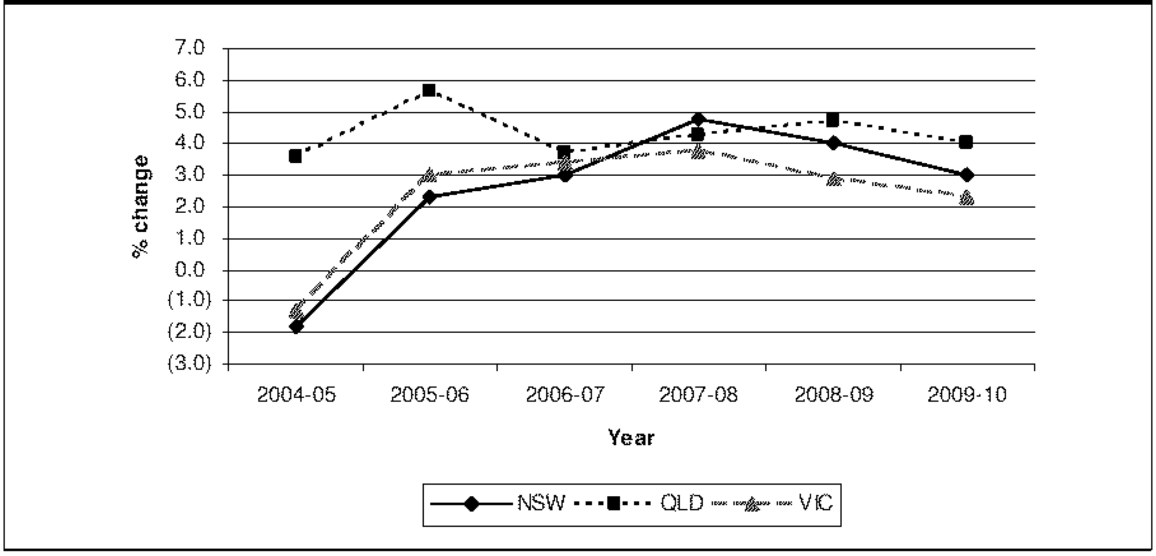
Location	Avg net rent $/square metres	Yield range % pa	Location	Avg net rent $/square metres	Yield range % pa
Sydney			**Brisbane (ctd)**		
South	130	7.00 - 8.25	South	90-100	7.50 – 8.00
South West	90	7.75 – 8.25	Western Corridor	90-100	7.50 – 8.00
Outer West	97	7.50 – 8.00	**Melbourne**		
Central West	108	7.75 – 8.25	West	67	7.25 – 8.25
North	131	8.25 – 8.75	North	76	7.25 – 8.25
Brisbane			East	73	7.25 – 8.50
Gateway North	95-105	7.25 – 8.00	South East	78	7.25 – 8.25
Gateway South	95-105	7.25 – 8.00	Inner	115	7.00 – 8.00
North	85-95	7.50 – 8.00			

Source: CB Richard Ellis

4.6 Industrial production

The following chart shows forecast industrial production year on year changes in the three states which ADIF and APG have industrial property, that is, New South Wales, Queensland and Victoria:

Table 14: Industrial production



Source: Access Economics Business Outlook September Quarter 2005

The following points are noted from the above chart:

- Queensland is currently enjoying a good growth rate of industrial production and is expected to continue to maintain a growth rate of over 3% pa for the coming five years; and
- both New South Wales and Victoria are expected to move from a negative growth rate of industrial production in FY2005 to positive growth of around 3% pa.

4.7 Office property sector

4.7.1 Historical performance

The office markets have started a turnaround in the last year, moving from the least preferred of the non-residential property sectors to being a strong performer with increasing demand for office space.

The two most significant factors in determining office sector performance are gross domestic product (**"GDP"**) and job vacancy or employment rates. The increase in white collar employment growth in the last year and solid GDP figures has been instrumental in the revival of the office market.

According to Macquarie Research Economic, recent global economic growth from mid 2003 to the end of 2005 has bolstered the Australian office sector, and has been the highest three year period of growth since the 1970's.

With unemployment at a 30 year low and the labour participation rate at a record high, the previous trend of rising vacancies and falling rents in office accommodation has been reversing.

Despite the mixed picture on rental growth over the last twelve months, there has been an improvement in yields for virtually all central business district (**"CBD"**) markets. Part of the reason for the improvement in the yields is the expected increase in rental growth based on an improved outlook for tenant demand and rising levels of inquiry within the marketplace.

Finally, we note that the national office vacancy rate was 8.2% in July 2005 compared with 9.4% recorded six months earlier (source: Mirvac Property Market Outlook).

4.7.2 Office sector prospects

Positive signs for the office market are the positive economic conditions, enquiries and rents on the increase and vacancy levels declining. However, whether a total recovery of this sector is possible is not certain as at the date of this report. There is a growing trend for businesses to relocate away from CBD locations to gain cheaper rents in new business park areas. This new supply is attracting tenants from existing CBD locations and there is the problem of occupying the older CBD-located buildings. Of all the locations, there are three which are generally thought to be "safe" investments, these being the Sydney CBD and North Shore markets as well as the Brisbane market. These locations are thought likely to be the best performing office markets in the coming few years.

The following table demonstrates the forecast office space supply and the vacancy rates for 2005 compared with 2004:

Table 15: Office space and vacancy statistics

Location	6 months to Dec-05 square metres	2006 square metres	2007 square metres	Vacancy % Jul-05	Vacancy % Jul-04
Sydney CBD	151,963	105,560	59,094	10.2	10.3
North Sydney	5,970	26,271	25,000	11.2	11.6
Parramatta	20,772	-	64,200	9.0	8.5
Brisbane CBD	30,500	56,290	59,129	3.9	7.0
Adelaide Core	25,300	56,040	22,589	7.5	10.6
Canberra	23,490	63,914	148,595	2.9	5.1

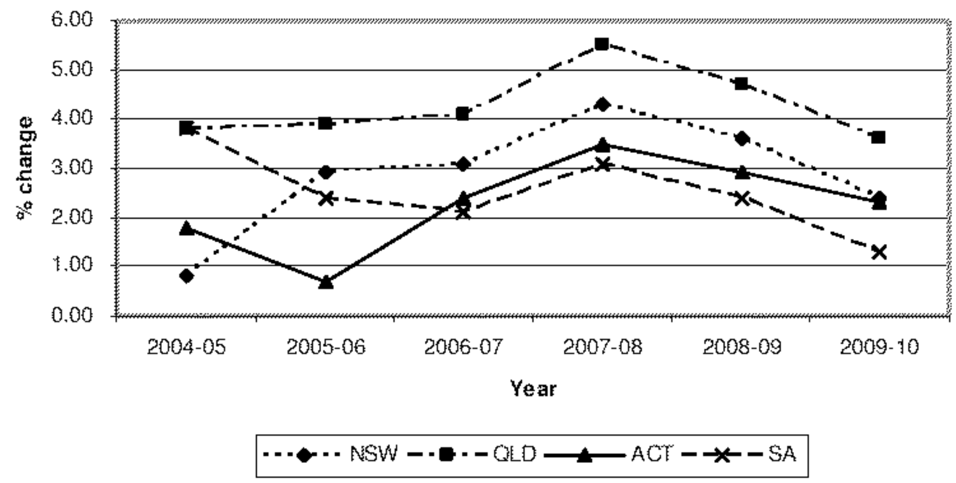
Source: Property Council of Australia/Mirvac

The Merged Group has the largest share of its office sector property in the Sydney region and Adelaide. Major growth is not expected in either market due to the number of projects in the "pipeline", which will moderate rental growth.

4.7.3 Economic drivers

Two main economic drivers for office property are gross state product and employment figures. The charts below highlight the forecasts for both of the above key drivers for the coming years:

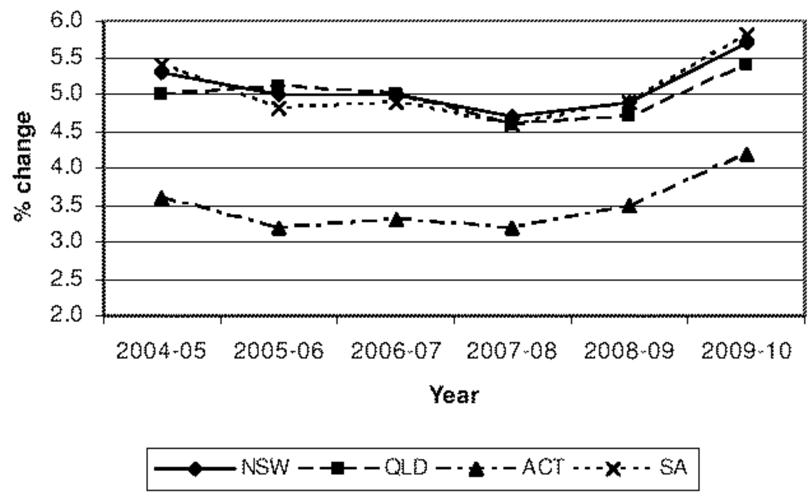
Table 16 Gross State product growth forecasts



Source: Access Economics Business Outlook September quarter 2005

The gross state product for the States in which ADIF and APG own office property have varying trends for FY2006, after which, they become more consistent, reflecting rates between 2% pa and 4% pa (up to FY2008) and then slowing towards FY2010. It is noted that the Queensland economy is expected to have the highest growth of the States analysed, followed by New South Wales. It is noted that New South Wales had the lowest growth of the States analysed in FY2005. The following chart sets out forecast unemployment levels:

Table 17 State unemployment forecasts



Source: Access Economics Business Outlook September quarter 2005

The rate of unemployment is currently at a 30 year low and it is not expected to increase significantly in the immediate future.

5 OVERVIEW OF THE LISTED PROPERTY TRUST SECTOR

5.1 Generally

A listed property trust (**"LPT"**) is a pooled property investment vehicle whose securities are listed on a stock exchange. Investors in LPTs can trade their securities in the same way as investors can trade their shares in companies listed on the stock exchange. LPTs form an important part of many investors' portfolios for a variety of reasons. As at 30 June 2005 the market capitalisation of the S&P/ASX 200 Property Trust Accumulation Index (**"LPT Index"**) is approximately $73 billion, which represents approximately 9.6% of the market capitalisation of the S&P/ASX 200 Index.

An increasing number of LPTs have adopted a stapled security structure, as is the case with APG. Generally, this means that each trust unit is stapled to one company share. Generally speaking, the trust will hold the property investment assets and the company will hold the responsible entity (or manager) and undertake trading activities, such as property developments. The internalisation of the manager generally is seen as allowing a better alignment of interests between the parties involved compared with stand alone trusts with external management. Investment vehicles that recently have adopted the stapled security model include Macquarie Goodman Group (**"MGQ"**), and Westfield Group (**"WDC"**).

LPTs are required to pay out their taxable income to be exempt from corporate tax, therefore their distribution yields traditionally have been high (about 6% pa to 10% pa) and for this reason LPTs appeal to investors who prefer higher yielding (income) stocks. In addition to the above, the capital return component of LPTs has also been historically high, with LPTs significantly outperforming the overall share market.

The table below shows the total return of the top 20 LPTs for the year to 30 September 2005:

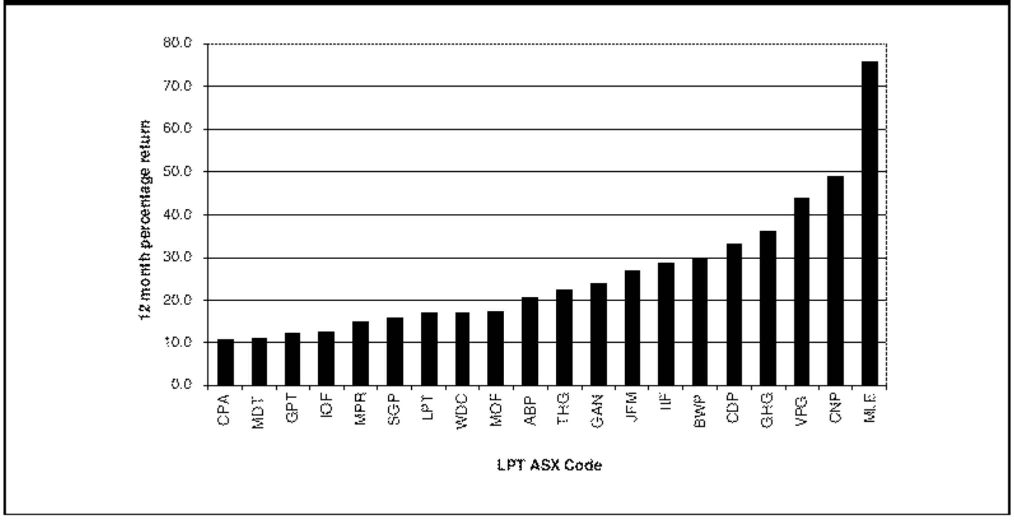
Table 18: LPT sector total returns – 12 months to 30 September 2005

ASX code	Name	Ranking	Total return (%)
MLE	Macquarie Leisure	1	75.93
CNP	Centro Properties	2	48.74
VPG	Valad	3	43.54
GHG	Grand Hotel	4	35.97
CDP	Carindale	5	33.14
BWP	Bunnings	6	29.91
IIF	ING Industrial	7	28.73
JFM	James Fielding	8	26.61
GAN	Gandel	9	23.93
THG	Thakral	10	22.10
ABP	Abacus	11	20.50
MOF	Macquarie Office	12	17.25
WDC	Westfield Group	13	17.10
LPT	LPT 300 Index	14	16.87
SGP	Stockland	15	15.59
MPR	Macquarie ProLogis	16	14.89
IOF	ING Office	17	12.60
GPT	General Property Trust	18	12.15
MDT	Macquarie DDR	19	10.87
CPA	Commonwealth Property	20	10.72

Source: PIR

The above rankings can also be summarised in the following chart:

Table 19: Ranking of top 20 performing LPTs - 12 months to 30 September 2005

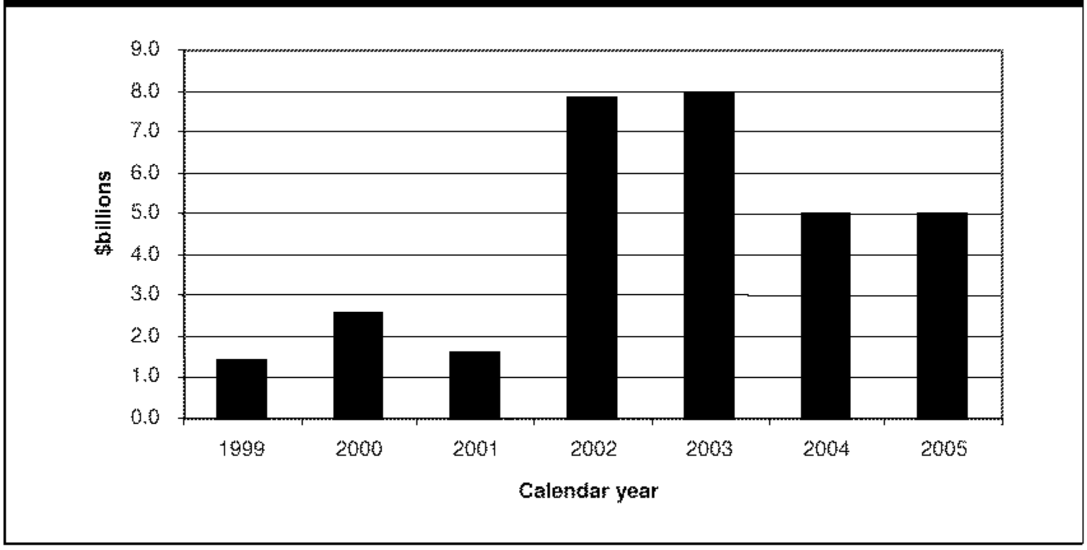


Source: PIR

Generally, the returns offered by the top 20 LPTs over the last year have been high with most exceeding 15% and the leader, MLE achieving 75.93%.

The LPT sector has expanded in recent years with a large amount of equity capital raisings, as illustrated in the following chart:

Table 20: Capital raisings in the LPT sector



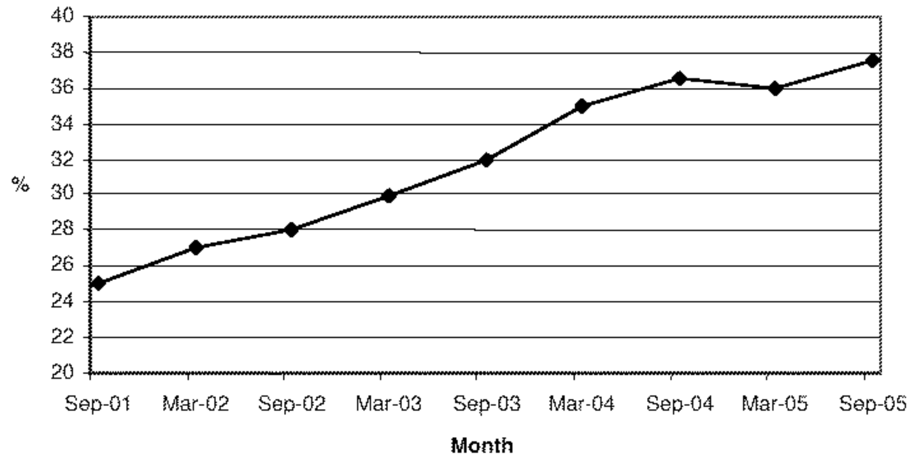
Source: PIR

Note: The figures for the 2005 calendar year are for the year to 30 September 2005.

As will be noted from Table 20, there was relatively little in the way of equity fund raising in the years up to 2001. However, there was equity fund raising of almost $8 billion in both CY2002 and CY2003 and $5 billion in both CY2004 and CY2005 (to September). Part of the reason for this level of capital raising was the boom in the property market in the last four to five years and LPTs taking advantage of this.

In recent years APG has raised capital to fund various investments. The gearing ratio of APG (defined as total interest bearing liabilities less cash assets divided by total assets) was 28.4% as at 30 June 2005 and 18.5% at 30 June 2004. This ratio is lower than the average gearing within the LPT sector as demonstrated by the following graph:

Table 21: Average gearing of LPTs

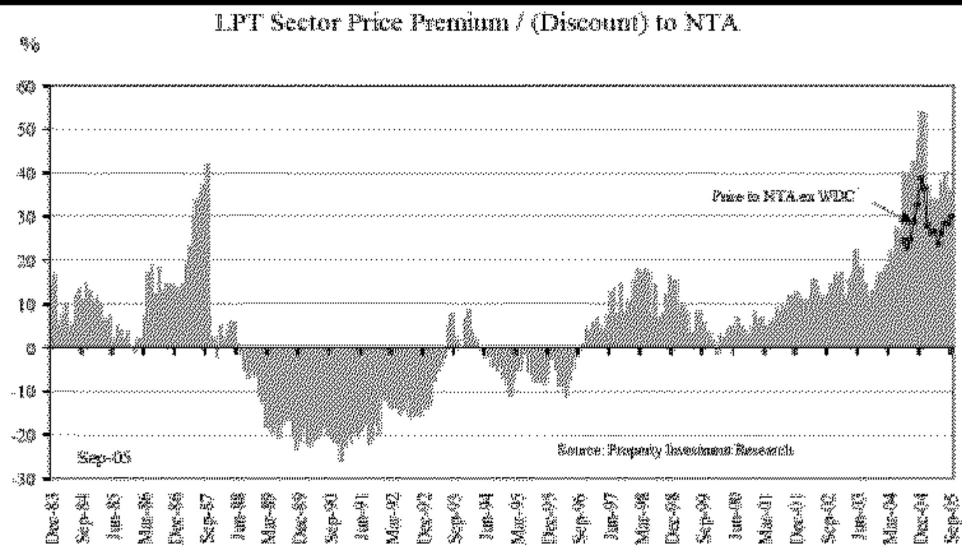


Source: PIR

5.2 Premium to NTA

Set out below is PIR's calculation of the LPT sector price premium to NTA (on a minority interest basis:

Figure 3: LPT sector price premium to NTA

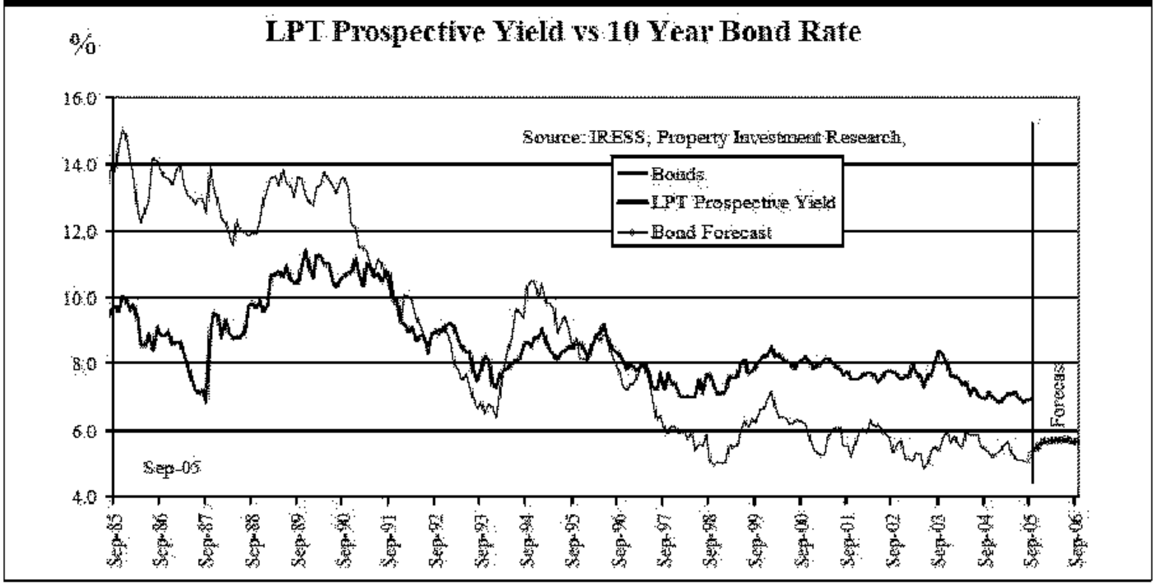


Source: PIR *Monthly Review*, October 2005.

5.3 LPT prospective yield to bond rate

Set out below is PIR's calculation of the LPT sector prospective yield as compared with the prospective 10 year Commonwealth bond yield, that indicates the recent general decline in both yields:

Figure 4: LPT prospective yield vs 10 year Commonwealth bond yield



Source: PIR *Monthly Review*, October 2005.

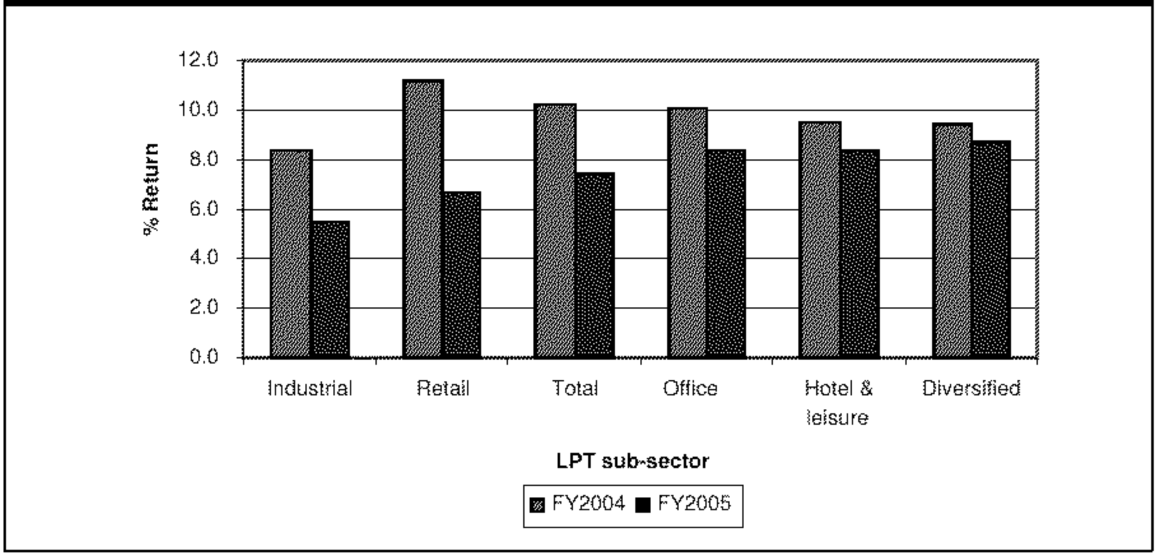
5.4 LPT sub-sectors

Within the LPT sector there are a number of sub-sectors. These sectors include industrial property, retail property, office property, hotel and leisure property and diversified property sectors. As noted elsewhere in this report, APG operates within the diversified property sector, meaning that it has a mix of property types within its portfolio.

Measured by the return on equity **("ROE")** FY2004 was a better performing year than FY2005, for all of the sub-sectors. The increase in values and returns in FY2004 was above average.

The following chart analyses the ROE across the LPT sub-sectors showing the results for FY2004 and FY2005:

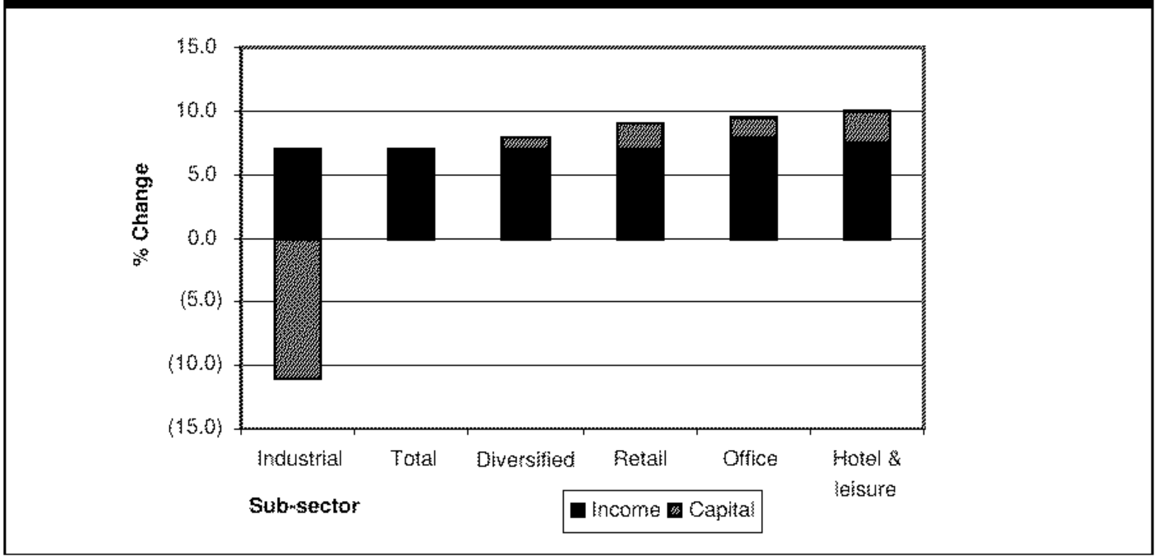
Table 22: ROE across the LPT sub-sectors



Source: PIR

The most stable performing sub-sector is the diversified sector. It is also noted that the returns achieved by the diversified sector were around 9.5% in FY2004 and were around 8.5% in FY2005. The diversified sector secured the best returns across all sub-sectors of the LPT sectors in FY2005. The industrial sector was the poorest performer in FY2005, with returns of around 5.5%. The ROE is comprised of both income and capital returns. The forecast sub-sector capital and income returns for the year to 30 September 2006 can be seen in the following chart:

Table 23: PIR forecast Year to 30 September 2006 LPT sub sector income and capital returns



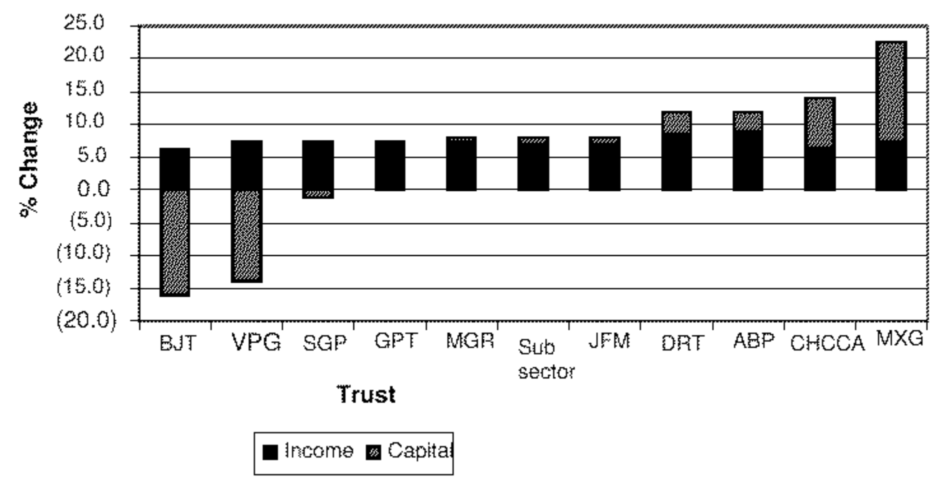
Source: PIR

The above chart indicates that expected income returns are fairly steady across all LPT sub-sectors for the forthcoming year to 30 September 2006. However, it also shows that the expected capital returns offered by the sub-sectors vary greatly. Industrial property is expected to have negative capital returns of around 10% in the coming year while diversified, retail, office and hotel and leisure will have capital growth of between 1% and 3% in the year. The total returns of around 7.5% expected for the diversified sub-sector for the year to 30 September 2006 are around the mid-point of the other sub-sectors (excluding Industrial).

5.5 Diversified trust sector

As APG operates within the diversified sector of the LPT sector, we have examined forecast returns for this sector for the year to 30 September 2006 as demonstrated in the flowing chart:

Table 24: Year to 30 September 2005 Diversified LPT income and capital returns



Source: PIR

From the above chart we can see that the forecast return for the diversified sub-sector as a whole (middle bar on the graph) is around 8%, made up of around 7% income return and 1% capital return.

The different entities within the sector have very different forecast total returns. The forecast income returns for the year to 30 September 2006 are broadly similar across the entities, ranging between 6% and 8%. Of these entities, APG has the highest income return forecast for the year.

There are large differences between the various trusts in respect of the forecast capital returns. The lowest expected capital returns (around -15%) are in respect of Babcock & Brown Japan Property Trust ("**BJT**") and Valad Property Trust ("**VPT**"). At the other end of the scale is the Multiplex Group ("**MXG**") with a forecast capital return of around 15% for the year to 30 September 2006. Modest capital returns are expected for most of the remaining entities within the diversified sub-sector.

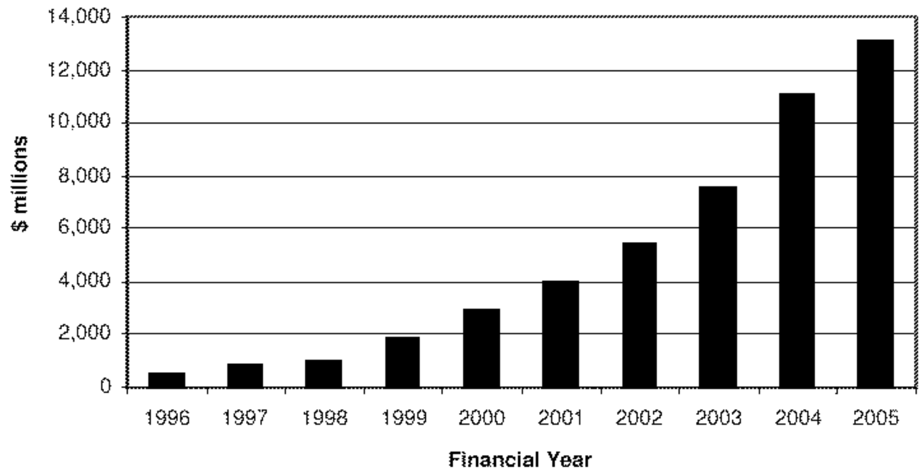
6 OVERVIEW OF THE UNLISTED PROPERTY TRUST SECTOR

6.1 Generally

The unlisted property funds sector has grown substantially in recent years. Sector growth has averaged 38% per annum over the last ten years and funds under management now exceed $13.1 billion. This rapid expansion primarily has been fuelled by the weight of investment funds available to be invested in property, largely due to compulsory superannuation.

The following chart shows the overall size of the unlisted property trust sector in the years up to 31 December 2004:

Table 25: Unlisted property sector size



Source: PIR

As will be noted from Table 25, the unlisted property trust sector has grown from less than $1 billion in 1995 to over $13 billion in 2004. There was a large jump in the size of the sector between 2002 and 2003 when it increased in size by just under $4 billion. This increase can be attributable primarily due to the boom in property prices around this time and consequently, encouraging higher investment in property.

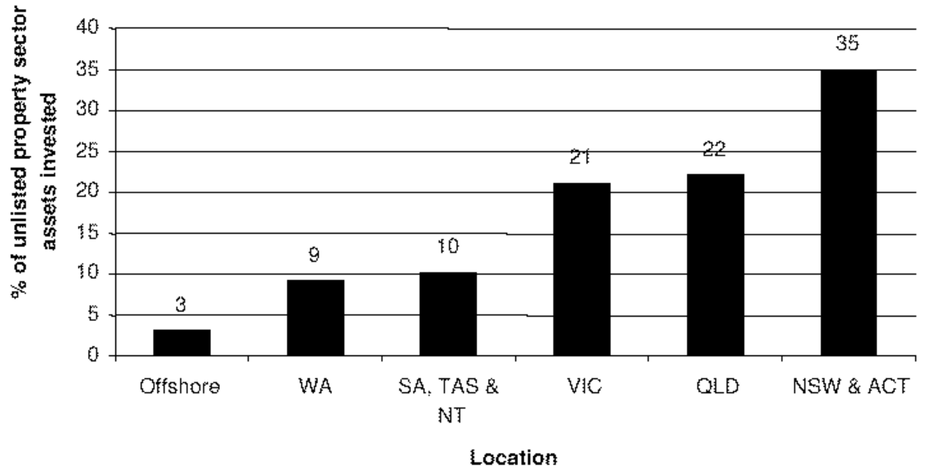
There are two main categories of funds within the unlisted property trust sector. The first is Direct Property Syndicates which are a fund open to retail and private investors and which have a predetermined life averaging 5-7 years and generally do not raise additional capital.

The second is Unlisted Retail Funds which too are open to retail and private investors. These funds are open-ended with no predetermined lives and are open to raise additional capital to fund subsequent property acquisitions as and when required.

6.2 Geographical exposure of investment properties

As is the case with the LPT sector, the unlisted property trust sector invests in a wide range of properties both in terms of geographical location and asset class. The following chart indicates the spread of investments across Australia, and offshore, of the unlisted property sector:

Table 26: Geographical location - unlisted property trust sector



Source: PIR

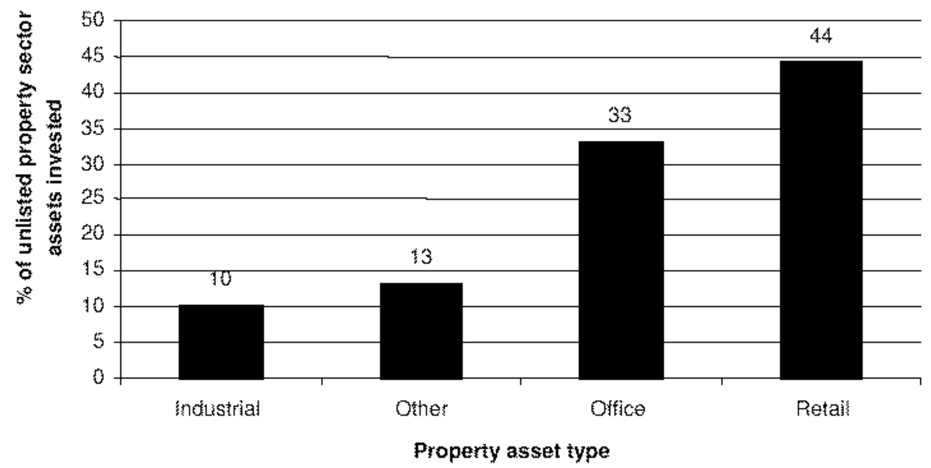
The above chart highlights that the majority of invested funds within the unlisted property sector are in the states of New South Wales (35%), Queensland (22%) and Victoria (21%). The rest of the Australian States and territories are all under 10%, with Western Australia being the largest of these with 9%.

The level of investment in offshore property within the sector is around 3%. However, this is expected to grow in future as more investments are sought overseas as the supply of quality, investment grade properties in the Australian market is not meeting the demand for these properties. Within the LPT sector there already is a large proportion of overseas investment (26% in the US market alone), and it is expected that the unlisted sector will follow the trend of the LPT sector and move into overseas markets to a greater extent.

6.2.1 Property diversification by asset class

The traditional property investment options of retail, office and industrial are still the primary drivers of the unlisted sector as demonstrated by the following chart:

Table 27: Unlisted property sector investment by property asset type



Source: PIR

Retail property is the dominant asset class with some 44% of investment. Office property is second with 33% and industrial has around 10% of funds invested. Non-traditional property classes are emerging within the sector, such as healthcare and childcare.

7 PROFILE OF APG

7.1 Background

APG is a diversified property investment group which had assets owned or under management of around $950 million as at 30 June 2005 and approximately $1 billion as at 30 September 2005.

APG's principal activities comprise of the following:

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

APG was established in August 2001 through the merger of eight property syndicates and a small development company established and managed by AFM. AFM was formed in 1996 to provide specialist property-based investment opportunities for the clients of Godfrey Pembroke Financial Services Limited. Following the sale of Godfrey Pembroke to MLC Ltd in early 1999, AFM became an independent entity and, in August 2000, became wholly owned by FSP Group Pty Limited.

APG's initial gross assets were $280 million and included eight investment properties and a portfolio of high yielding mortgages. APG then raised over $54 million of additional equity under a prospectus issued in December 2001, acquired four additional properties for a total consideration of $53 million, expanded the mortgage portfolio and participated in a series of property transactions.

APG acquired AFM effective from 1 October 2002 to form an integrated property investment group with an internal management structure. A further $40.7 million in equity was raised in October 2002, prior to listing on the ASX in November 2002.

7.2 Group structure

APG is a 'stapled' vehicle, which combines a company, AGHL and a trust, AT. Investors in an APG security acquire one unit in AT "stapled" to one share in AGHL so that neither can be dealt with without the other.

AT is a managed investment scheme registered under the Act. The responsible entity for AT is AFM, a wholly owned subsidiary of AGHL. AFM is a specialist property investment company incorporated and domiciled in Australia which holds an Australian Financial Services Licence (number 227819) and, through a subsidiary, also holds a real estate agent's licence. AGHL is a company incorporated and domiciled in Australia. The internalised management ensures the interests of management are aligned with the interests of the APG's investors.

7.3 The Directors of AFM and AGHL

The Directors of AFM and AGHL are detailed below:

Table 28: Directors

John Thame Chairman, Non-executive	Mr John Thame has over 30 years experience in the retail financial services industry in senior management positions. Mr Thame's 26-year career with Advance Bank Limited included 10 years as Managing Director until the Bank's merger with St George Bank Limited in 1997. Mr Thame is Chairman of St George Bank and a director of Reckon Limited and Village Building Co. Ltd.
Frank Wolf Deputy Chairman Executive Director	Dr Frank Wolf has over 20 years experience in the property and financial services industries, including involvement in retail, commercial, industrial and hospitality-related assets in Australia, New Zealand and the United States. Dr Wolf has been instrumental in over $2 billion worth of property-related transactions, corporate acquisitions and divestments and has financed specialist property-based assets in the retirement and hospitality sectors. Dr Wolf is also 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 listed diversified investment company.
David Bastian Managing Director	Mr David Bastian has over 30 years experience in the property and financial services industries, with a particular focus on the packaging and management of commercial, retail and residential property projects. He was Managing Director of Pembroke Financial Planners Limited for 3 years, merging this company with Godfrey Weston Limited in 1995 to form Godfrey Pembroke Financial Services Limited. He established Abacus Funds Management Limited in 1996 and is also a director of FSP Group Pty Limited, Vector Financial Services Limited and Kingston Capital Limited.
Dennis Bluth Non-executive	Mr Dennis Bluth holds Bachelor of Arts, Bachelor of Law and Master of Law degrees and has practiced as a solicitor for over 25 years, principally in the area of property law. Mr Bluth became a Fellow of the Australian Property Institute in 2004. Mr Bluth is a partner with Abbott Tout Lawyers of Sydney, Canberra and Brisbane and is a member of a number of Law Society and Law Council Committees. He was formerly a director of Godfrey Pembroke Financial Services Limited.
Phillip Green Non-executive	Mr Phillip Green is Managing Director of Babcock & Brown Limited. Prior to joining Babcock & Brown, Mr Green worked as a Senior Manager with Arthur Andersen where he specialised in taxation. Mr Green is chairman of Babcock & Brown Environmental Investments Limited and of the trustee of the MTM Entertainment Trust and a director of Babcock & Brown Capital Limited, Everest Babcock & Brown Alternative Investments Group, Babcock & Brown Infrastructure Group, Thakral Holdings Limited and of the trustee of the Babcock & Brown Japan Property Trust. Mr Green holds Bachelor of Commerce and Bachelor of Laws Degrees from the University of New South Wales. He qualified as a Chartered Accountant in 1981 and was admitted as a solicitor in New South Wales in 1978.
Malcolm Irving AM Non-executive	Mr Malcolm Irving, AM has over 40 years experience in company management, including twelve years as Managing Director of CIBC Australian 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 Executive Director	Mr Len Lloyd is Managing Director, Abacus Property Services Pty Limited, and is responsible for property administration and development opportunities in the Abacus portfolio. Mr Lloyd is a licensed real estate agent and a registered real estate valuer with experience in the development, management and funding of commercial, retail and residential property. 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 for the Commonwealth Development Bank.

Source: APG

7.4 Business overview

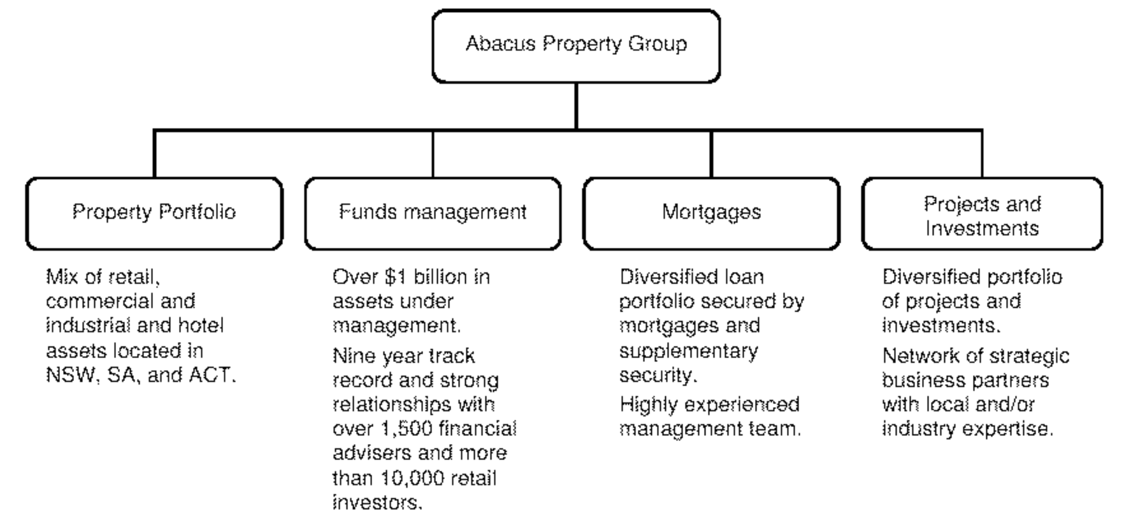
7.4.1 Group strategy

We have been advised that for the short to medium term, APG's business strategy focuses on the following:

- identifying investment property acquisitions that will maintain and, where possible, enhance the yield from the AT with the prospect of capital appreciation through active management;
- syndicating property-based investment opportunities external to APG and generating establishment, project management and performance fees;
- advancing loan funds secured directly or indirectly over real property and otherwise advancing the mezzanine funding and residential pre-sales businesses; and
- seeking opportunities to expand property joint ventures with strategic partners.

APG has the following business operations:

Table 29: APG business operations



Source: APG

7.4.2 Investment property portfolio

The investment property portfolio is the main contributor to business income and profit.

During FY2005, APG acquired four additional properties for an aggregate $129.4 million, including:

- Liverpool Plaza Shopping Centre in Sydney's west;
- a 50% interest in Santos House, a commercial office tower in Adelaide;
- a commercial office building at 50 Miller Street in North Sydney; and
- an industrial property in Brisbane.

In addition to the above property purchases, APG also carried out a revaluation of nine existing properties in the portfolio resulting in a net increase of $11.5 million in the carrying value of investment properties.

These property acquisitions and revaluations bring the total value of the investment property portfolio to $352 million as at 30 June 2005 and 357 million as at 30 September 2005.

The following table summarises the investment properties owned by APG:

Table 30: APG investment property portfolio

Property	Address	State	Use	Interest %	Book Value as at 30 September 2005 $ million	Occupancy %	Lettable area square metres
Ashfield Mall	260 Liverpool Road, Ashfield	NSW	Retail	100	98.94	99.5	26,044
Ashfield retail	244-256 Liverpool Road, Ashfield	NSW	Retail	100	7.85	100	1,520
Epping Office Park	240-244 Beecroft Road & 4 Ray Road	NSW	Commercial	100	44.00	83.45	12,436
Miller Street	50 Miller Street, North Sydney	NSW	Commercial	100	38.67	100	10,594
Liverpool Plaza	165-191 Macquarie Street, Liverpool	NSW	Retail	100	33.20	100	6,298
Liverpool	193 Macquarie Street, Liverpool & 77-83 Moore Street, Liverpool	NSW	Retail	100	7.58	100	1,849
Rydalmere	10-12 Pike Street	NSW	Industrial	100	17.00	100	18,103
Glebe	431 Glebe Point Road	NSW	Commercial	100	12.56	65	5,415
Villawood Industrial Estate	66 Christina Road, Villawood	NSW	Industrial	100	8.16	100	18,477
Santos House	91 King William Street, Adelaide	SA	Commercial	50	51.02	96.3	31,345
CSIRO	Limestone Avenue, Canberra	ACT	Commercial	100	15.20	100	7,215
109 Pitt Street	109 Pitt Street, Sydney	NSW	Commercial	100	17.60	na	na
Bankstown	4-8 Jacob Street, Bankstown	NSW	Commercial	100	4.90	100	1,849
Total					**356.7**		

Since 30 September 2005, APG:

- has acquired a property at Moore Street, Liverpool for a total cost of $2.26 million, funded approximately 56% by debt and 44% by equity (this property is included in the above table); and
- contracted to acquire for $58 million the Novotel Twin Waters Resort located on Ocean Drive, Mudjimba Beach, on the Queensland Sunshine Coast. The hotel is managed by Accor.

The five major generators of property rental income in AT are Ashfield Mall, Liverpool Road, Ashfield NSW, 50 Miller Street, North Sydney, Santos House, Adelaide, Epping Office Park, Epping, Sydney and Liverpool Plaza, Liverpool, Sydney:

Table 31: Major sources of property rental income

Property	Ownership interest	Net rental income FY2006 Forecast $ '000
Ashfield Mall, Ashfield	100%	7,072
Santos House, Adelaide	50%	4,012
50 Miller St Nth Sydney	100%	3,897
Epping Office Park	100%	3,408
Liverpool Plaza	100%	2,430
Total		**20,819**

Ashfield Mall, Liverpool Road, Ashfield, NSW

Ashfield Mall is a sub-regional shopping centre in the residential suburb of Ashfield, located less than 10 kilometres south-west of the Sydney CBD. The fully enclosed four level building, with a gross lettable area of 26,044 square metres, offers vehicle access off three street frontages and is close to the railway station and bus interchange. The surrounding area includes some of the most densely populated suburbs of Sydney. Anchor tenants include Coles, Kmart and Franklins, supported by over 80 specialty retailers. APG also owns adjacent properties at 244 and 252-256 Liverpool Road and is preparing an application to develop residential units as well as gross lettable area of approximately 4,000 square metres for additional retail, commercial and child care.

Refurbishment and tenancy repositioning is underway at Ashfield Mall and the strategic direction for its redevelopment has been resolved, with a development application to be lodged shortly.

Santos House, 91 King William Street, Adelaide, SA

The property consists of a 31 level landmark, premium grade office tower completed in 1989 of about 29,740 square metres and two adjacent older buildings Perpetual House of 870 square metres fronting King William Street, and the Delmont Building to the south west of 827 square metres,. There are some 56 car parks in the basement.

The complex is leased to a variety of tenants including Santos, which occupies approximately 55% (17,380 square metres) of the space within the Tower and Delmont buildings, Pricewaterhouse Coopers, Kelly & Co, and Servcorp. At 30 June 2005 the average weighted remaining lease term for the various tenancies within the complex was 2.5 years.

Santos has a lease to June 2007 with an option of renewal for a further 4 years. In March 2005, Santos announced its intention to take up new accommodation in another building, once their current lease expires in June 2007. However, Santos has reserved its rights of renewal.

We are advised that the building is the only truly premium grade office building in the Adelaide CBD and discussions are occurring with various major organisations to lease significant parts of the Santos space. APG management is confident that the majority of the space will be leased leading up to the expiry of the Santos lease and within the following 12 month period.

50 Miller Street, North Sydney, NSW

The property is a commercial office building constructed in 1960 and comprehensively refurbished in 1989. There are 10 levels of office accommodation above six ground floor retail tenancies. Basement parking for 76 car spaces is provided under an adjoining building. Typical office floors provide a net lettable area of approximately 1,050 square metres, with the total net lettable area of approximately 10,590 square metres.

The entire office area is leased to Optus. At the time of purchase, APG was aware that Optus intended to relocate from the building to a new location in North Ryde when the lease expires in October 2007. However, we are advised that APG acquired the property at a low price per lettable square metre in the belief that it will be able to refurbish and re-lease the property, and achieve considerable growth in value for security holders.

APG management has advised that a leasing campaign is under consideration and it is intended to undertake a refurbishment programme upon cessation of the Optus lease.

Epping Office Park, 240-244 Beecroft & Ray Road, Epping, NSW

Epping Office Park is a high quality office complex approximately 20 Kilometres north-west of the Sydney CBD. The property contains four separate buildings in an attractive landscaped environment. Typical floor areas range from 963 to 1,300 square metres. Facilities include an in-ground swimming pool, tennis court, squash courts and a café.

The property has a site area of 13,389 square metres, a net lettable area of 12,350 square metres and 381 car spaces. Construction of the four buildings was completed progressively from 1983 to 1990.

Major tenants include AMP, Carter Holt Harvey, NEC Australia, Genesys Wealth Advisers Limited, Arrow Communications, Wrigleys and CWA Caroma.

Liverpool Plaza, 165-191 Macquarie Street, Liverpool, NSW

Liverpool Plaza is a neighbourhood shopping centre centrally located in the Liverpool CBD. The fully enclosed centre comprises ground floor retail, mezzanine level offices and an open rooftop car park. APG has also recently acquired two properties adjacent to Liverpool Plaza, at 193 Macquarie Street and 77 Moore Street. These acquisitions provide scope to expand net lettable area from 6,332 square metres to approximately 11,000 square metres. The three properties have a site area of 10,885 square metres.

Liverpool Plaza was constructed in 1983 and upgraded during 1989, 1991 and 2004. It has car parking for 250 vehicles. Major tenants include Franklins, St George, NAB, ANZ, NIB, Medicare, McDonalds and Gloria Jeans.

Asset class exposure of investment property assets

APG's investment properties predominantly comprise a diversified group of commercial (52%), retail (41%) and industrial (7%) property.

Within the retail sector there are four properties concentrated in two retail sectors (Ashfield and Liverpool). Ashfield Mall accounts for more than half of the value of the sector.

Geographical exposure of investment property assets

The vast majority of investment property (81% of the total) is in New South Wales. The second largest geographical exposure is South Australia, (14%). This is made up of only one property in Adelaide, Santos House with a value of $51 million. The Australian Capital Territory makes up 4% of the investment property.

All the retail investment property is within the greater Sydney region of New South Wales. The industrial property is situated within New South Wales.

The commercial sector has the broadest geographical spread of the sectors. New South Wales has 64%, South Australia 28%, and the Australian Capital Territory has 8% of the commercial sector value.

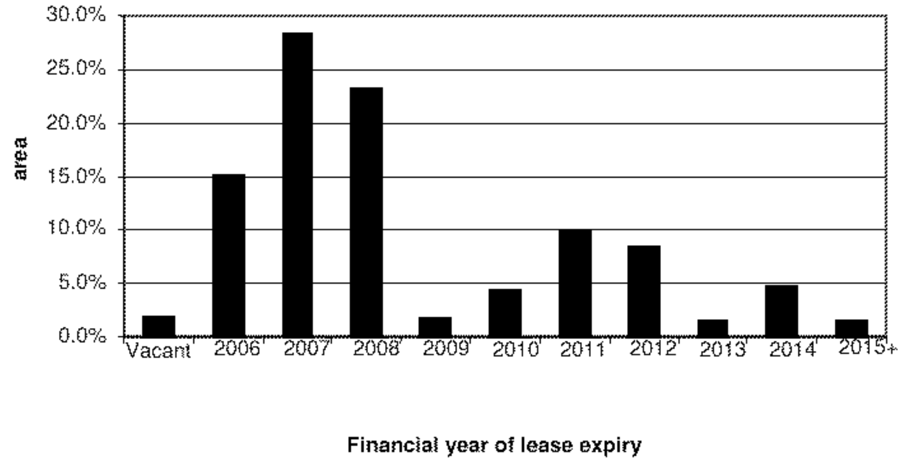
Tenant diversification

The top five tenants of the property portfolio are Optus, Waco, Santos, CSIRO and Coles which together account for 38.5% of total rental income. As noted above, it appears that both Optus and Santos will cease occupation of their tenancies in CY2007.

Lease expiry profile

The lease expiry (by area) of APG's property portfolio as at 30 September 2005 was as follows:

Table 32: Leases expiry profile (by area)



Source: AFM

The above table shows a reasonable spread of lease expiry. However, the effect of the expiry of the Optus and Santos leases is noted in FY2007 and FY2008.

7.4.3 Funds management

The funds management business is conducted by AFM and consists of the management of assets both within APG and for a number of external investment vehicles such as ADIF.

In FY2005, AFM, as the relevant responsible entity:

- sold one property and acquired or contracted to acquire nine additional properties for ADIF. Total assets of ADIF increased by $55 million to $222 million as at 30 June 2005; and
- established three new managed investment schemes, with total assets of $39.5 million.

Total assets under management (which combines assets owned by APG and assets managed by AFM on behalf of external investors, including ADIF) increased by $275 million (40%) to over $950 million at 30 June 2005 and have since increased to approximately $1 billion.

Set out below is a summary of funds under management:

Table 33: Funds under management

Syndicate	Size - A$M	Type	Status
APG	559.4	Diversified	Listed
ADIF	227.2	Diversified	Closed
Storage Fund	93	Property	Recently launched
Wodonga Land & Mortgage Funds	27.3	Development	Open
Retirement Living Trust	12.2	Development	Open
Abacus Prime Property Fund	3.15	Property	Open
Tranquillity Investment Trust	17.0	Property	Closed
Hobart Growth Fund	8.7	Property	Closed
Crows Nest Property Trust	28.5	Property	Closed
Mariners Cove Equity Trust	3.6	Development	Closed
Burnie Hospital	14.3	Mezzanine Debt	Closed
Tribeca Investment	20.2	Mezzanine Debt	Closed
Total	**1,014.6**		

7.4.4 Mortgage lending portfolio

The nature of the specialist lending conducted by APG is similar to what is known as "mezzanine" lending to fund property development. The primary features of such lending are the level of security taken and therefore the level of return to investors. Mezzanine lending is typically subordinated debt which is secured by a second mortgage level of security (behind first mortgages, which is typically provided by banks) and may be shorter term in nature. The mezzanine proportion of the funding may be considered to be at greater risk as it has less security and ranking for repayment. Accordingly, it receives a higher return depending on the nature of the development.

We note that in certain instances, APG takes a position of both lender and "joint venture" equity investor. In such circumstances, APG will derive both interest income and profit share from such projects. The profit shares are usually in the range of 20% to 30% return on investment.

The mortgage portfolio comprises the Abacus Mortgage Fund **("AMF")**, loans to build the fund management business, such as seed funding to develop new funds (e.g. the Abacus Storage Fund), mortgages to Abacus associated developments and joint ventures and other mortgage investments.

The broad loan categories as at 30 September and 30 June 2005 and 2004 were as follows:

Table 34: Mortgage fund assets (including accrued interest)

Loan type	Amount 30 September 2005 $ million	Amount 30 June 2005 $ million	Amount 30 June 2004 $ million
Funds management loans	70.8	54.0	32.0
Abacus Mortgage Fund	45.3	41.6	31.1
Loans to joint ventures/associates	22.4	19.5	12.8
Other investment loans	36.4	37.7	16.7
Total	**174.9**	**152.8**	**92.6**

Source: APG

The mortgages are secured by real property assets. As at 30 June 2005, repayment dates for current loans were on or before 30 June 2006 and for non-current loans fell between January 2008 and May 2010. The weighted average interest rate for current loans was 14.44%pa (2004: 16.56% pa) and for non-current loans was 12.2%pa (2004: 14.82% pa). In respect of third party loans (i.e. those not advanced to Abacus related entities), the average loan principal as at 30 June 2005 was approximately $2 million, with an average term of less than 24 months.

Table 35: Mortgage details (excluding accrued interest) as at 30 June 2005

Loan type As at 30 June 2005	Loan balance $ million	Average loan size $ million	Average Interest rate % pa	EBITDA Contribution before apportioned expenses $ million	EBITDA Contribution after apportioned expenses $ million
Funds management loans	52.9	13.2	12.7	2.1	1.8
Abacus Mortgage Fund	36.3	1.9	13.9	5.8	5.0
Loans to joint ventures/associates	17.3	3.5	13.1	2.1	1.8
Other investment loans	34.1	2.4	12.1	4.3	3.7
Total	**140.6**	**6.5**	**12.9**	**14.3**	**12.3**

Source: APG

The contribution to EBITDA from the mortgage portfolio is Forecast as set out in Table 39.

7.4.5 Projects and joint ventures

APG has a number of joint venture investments with experienced property investors or developers in New South Wales, Queensland and Victoria. These joint venture activities enable APG to participate in a range of property related opportunities with industry leaders who have local knowledge and a depth of management experience

The investment in joint ventures is approximately $13.8 million for the year ended 30 June 2005. A similar level of investment is expected for the duration of the Forecasts.

In establishing a joint venture, risk minimisation is a key factor and this is reflected by the following:

- having an experienced joint venture partner with sound understanding of the market. In addition, the arrangements are structured in a manner to allocate risk appropriately;
- being able to manage the exposure and size of the joint venture; and
- financing of the joint venture is with a mix of debt and equity capital.

Set out below is an overview of the key projects on hand:

Table 36: Key joint venture projects

Name of project	Overview
Highett Apartments	Vacant land in Melbourne comprising of a neighbourhood shopping centre, 140 apartments and parking for 500 cars. A development application is currently being prepared for submission. This project may be sold in the near future.
Pakenham projects	This is a development of three sites in Melbourne's growth corridor. The land has been purchased on deferred terms. The site comprises of: 1 McGregor Street, 5.9 ha – 90 residential lots 115 Caridinia Street, 55.6 ha – 600 residential lots 11-15 Main Street 5.0 ha – retail, commercial and medium density residential.

Source: APG

The contribution to EBITDA from joint ventures was, and is Forecast, as set out in Table 39.

7.5 Financial performance

The financial results of APG for the four years to 30 June 2005 were as follows:

Table 37: Financial results of APG

	Year ended 30 June			
	2005 Actual $000	**2004 Actual $000**	**2003 Actual $000**	**2002 Actual $000**
Revenues from ordinary activities	**70,539**	**118,690**	**140,745**	**31,633**
Share of net profits of joint ventures (equity method)	1,561	4,291	781	1
Depreciation and amortisation	(2,049)	(2,014)	(1,660)	(21)
Carrying amount of investments disposed	(6,876)	(64,747)	(79,888)	-
Borrowing costs	(9,251)	(8,159)	(10,737)	(10,790)
Salaries and employee benefits	(6,011)	(4,721)	(3,207)	-
Bad and doubtful debts	861	(449)	(271)	(962)
Other expenses from ordinary activities	(8,634)	(7,973)	(8,678)	(5,822)
Profit from ordinary activities before income tax	**40,140**	**34,918**	**37,085**	**14,039**
Income tax expense relating to ordinary activities	(356)	(193)	(3,277)	-
Net profit after tax	39,784	34,725	33,808	14,039
Net profit attributable to outside equity interest	(678)	-	-	-
Net profit attributable to Security Holders	**39,106**	**34,725**	**33,808**	**14,039**
Transaction costs on issue of stapled securities	(2,454)	-	-	-
Net increase in asset revaluation reserve	12,059	7,797	9,317	5,145
Decrease in foreign currency translation reserve	(210)	-	-	-
Adjustment resulting from changes in associated entities	(279)	-	-	-
Total revenues, expenses, and valuation adjustments attributable to Security Holders and recognised directly in equity	**9,116**	**7,797**	**9,317**	**5,145**
Total changes in equity other than those resulting from transactions with Security Holders as owners	**48,222**	**42,522**	**43,125**	**19,184**
Basic and diluted earnings per stapled security (cents)	**12.18**	**12.84**	**13.90**	**9.67**

Source: Audited financial statements

Table 37 demonstrates that the results for APG have been strong and reasonably consistent in total over the past three years. Specifically, profit from ordinary activities before tax has increased from $14 million in FY2002 to over $40 million in FY2005.

Total changes in equity other than those resulting from transactions with Security Holders as owners have increased from $19 million in FY2002 to over $48 million in FY2005. Due to favourable property market conditions over the last four years the asset revaluation reserve recorded an increase in property values in each year.

7.6 Revenue streams

The following table shows the sources of APG's revenue for the past four years:

Table 38: APG revenue

	Year ended 30 June			
	2005 Actual $000	**2004 Actual $000**	**2003 Actual $000**	**2002 Actual $000**
Revenues from operating activities				
Property rental income	30,336	22,847	30,038	27,953
Interest income from mortgage investments	14,349	12,897	6,984	3,163
Fee income from mortgage investments	917	636	458	-
Revenue from sale of investments	11,436	73,318	98,863	-
Property management fees	692	575	128	-
Fund management fees	2,540	1,442	734	-
Consulting and other fees	5,662	3,020	2,589	-
Total revenues from operating activities	65,932	114,735	139,794	31,116
Revenues from non-operating activities				
Distributions from investments in units	505	3,148	-	-
Gains on disposal from investments in units	770	-	-	-
Change in market value of investments	2,167	-	-	-
Bank interest	1,165	807	951	517
Total revenues from non-operating activities	4,607	3,955	951	517
Total revenues from ordinary activities	**70,539**	**118,690**	**140,745**	**31,633**

Source: Audited financial statements

Set out below is an overview of APG's revenues:

Rental income

Property rental income has remained relatively stable across the four years apart from a dip in FY2004 due to the sales of investment properties in FY2003 and FY2004. However, with the purchase of further investment properties, the rental income in FY2005 returned to its historical levels.

Sale of investments

Revenue from the sale of investments does not follow any specific trend over time. This is because APG takes advantage of opportunities to sell selected investments arising when the market is favourable.

Mortgage investments:

APG has been building the mortgage lending business over the four years to 30 June 2005 and as a consequence, interest and fee income from mortgage investments have also grown.

Fund management fees

This revenue has grown steadily as the external funds under management have expanded.

Property management fees

These are a small element of the revenue of APG and relate to property management activities (as distinct from funds management activities) undertaken in relation to properties managed by AFM. However, these also have grown steadily in the years to 30 June 2005.

Consulting and other fees

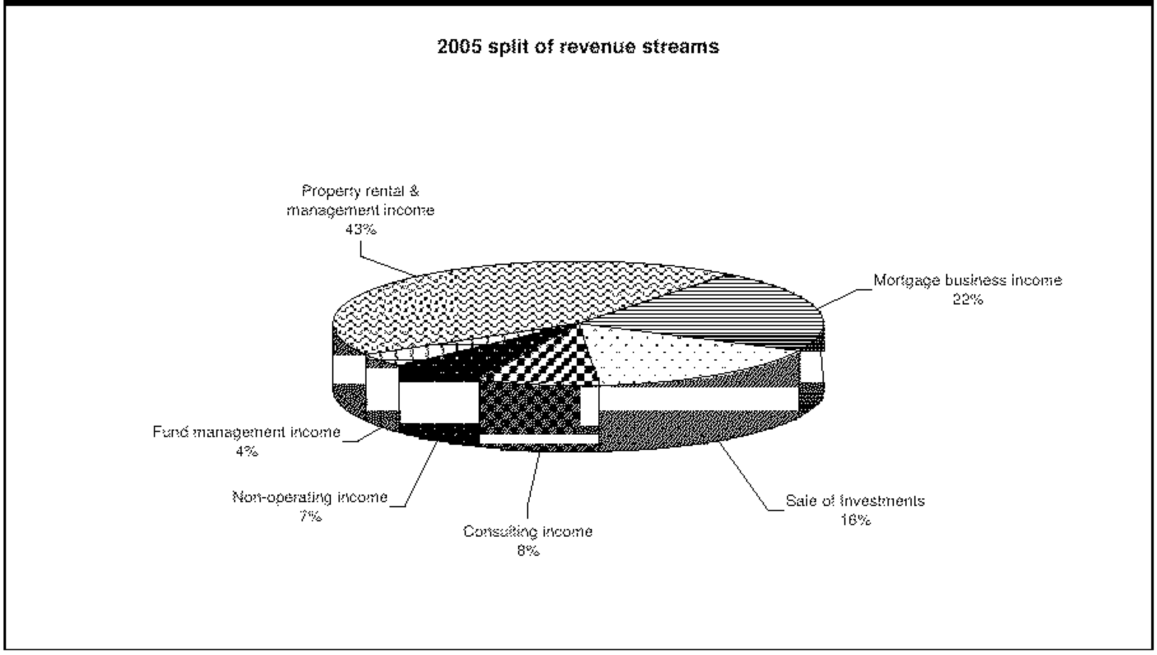
This component has grown over the years and relates to fees generated by the property investment banking-type activities undertaken by AFM. This component includes fees generated by the sale of renounceable sales contracts.

Non-operating income

Revenues from non-operating activities have also increased each year from FY2002 to FY2005. The level of these non-operating activities revenue in FY2005 was $4.6 million, comprising distributions from, and gains on disposal of, investments, change in the market value of investments held by APG in the year and bank interest on deposits.

The chart below highlights the dissection of revenue streams for the FY2005:

Figure 5: APG Revenue in FY2005



Source: Audited financial statements

APG's main revenue producer is the property rental and management revenue, accounting for 43% of revenue in FY2005. The mortgage business generated the second largest (22%) proportion of revenue. There was relatively little revenue from the sale of investments in FY2005.

In FY2004 the sources of revenue were very different due to the sale of investment property in the year. Specifically, 62% of revenue was made up of the sale of investment property, compared with only 9% in FY2005. Correspondingly, the proportion of property rental and management revenue was only 20% in FY2004, as compared with 43% in FY2005.

7.7 Profit analysis across business operations

Set out below is a dissection of profit attributable to the various business operations:

Table 39: EBITDA attributable to business operations

	2006 Forecast		2005 Actual		2004 Actual	
	$'000	% of EBITDA	$'000	% of EBITDA	$'000	% of EBITDA
Property investments	29,554	50%	22,075	44%	21,600	49%
Mortgage lending	14,707	25%	13,038	26%	12,000	27%
Funds management	10,923	19%	8,614	17%	4,200	10%
Development & investment	3,720	6%	6,282	13%	6,300	14%
EBITDA	**58,904**	**100%**	**50,009**	**100%**	**44,100**	**100%**
Less: net group borrowing & finance costs	(10,708)		(8,094)		(7,300)	
Less: amortisation of goodwill	-		(1,775)		(1,900)	
Profit before tax attributable to Security Holders	**48,196**		**40,140**		**34,900**	
Tax expense	(1,000)		(356)		(200)	
Minority interests	(146)		(678)		-	
Net profit after tax attributable to Security Holders	**47,050**		**39,106**		**34,700**	

Source: Management information

7.8 APG distributions

APG historical and forecast distributions are as follows:

Table 40: Historical and forecast distributions

Year ended		Distributions per security cents	Taxable component: Income %	Taxable component: Discounted capital gains %	Taxable component: Total taxable distribution %	Concessional Capital gains %	Tax deferred component %
Jun-03	Actual	10.50	75.3%	10.2%	85.5%	10.2%	4.3%
Jun-04	Actual	11.23	97.5%	2.5%	100.0%	-	-
Jun-05	Actual	11.40	79.1%	-	79.1%	-	20.9%
Sep-05-Qtr	Actual	2.90	85.9%	-	85.9%	-	14.1%
Dec-05-Qtr	Forecast	2.90	85.9%	-	85.9%	-	14.1%
Mar-06-Qtr	Forecast	3.00	85.9%	-	85.9%	-	14.1%
Jun-06	Forecast	11.80	85.9%	-	85.9%	-	14.1%

Notes:

1. Income paid to APG security-holders may be made up of distributions from AT and/or dividends from AGHL. To date, all income payments have been distributions from AT.
2. Sep-05-Qtr, Dec-05-Qtr and Mar-06-Qtr refer to the 3 months ended September 2005, December 2005 and March 2006, respectively.

Source: APG

7.9 Financial position

The financial position of APG as at 30 June 2004 and 2005 and 30 September 2005 is summarised below:

Table 41: financial position of APG

	September -05 Unaudited $000	Jun-05 Audited $'000	Jun-04 Audited $'000
Current assets			
Cash assets	16,232	4,417	24,367
Receivables	5,475	20,086	28,389
Investment properties	-	18,624	20,921
Other financial assets	1,128	98,309	55,440
Other assets	0	1,500	1,062
Total current assets	22,835	142,936	130,179
Non-current assets			
Property, plant & equipment	135	133	171
Investment properties	357,700	333,416	198,605
Investments (equity method)	13,483	13,763	8,778
Other financial assets	191,899	71,180	45,726
Deferred tax assets	647	614	206
Intangible assets	32,394	30,619	32,394
Other assets	1,343	859	-
Total non-current assets	597,601	450,584	285,880
Total assets	620,436	593,520	416,059
Current liabilities			
Payables	4,627	5,528	3,396
Interest-bearing liabilities	0	29,850	98,135
Current tax liabilities	1,701	780	(123)
Provisions	15,788	10,138	8,410
Total current liabilities	22,116	46,296	109,818
Non-current liabilities			
Interest-bearing liabilities[1]	146,725	142,914	3,100
Provisions	0	505	397
Total non-current liabilities	146,725	143,419	3,497
Total liabilities	168,841	189,715	113,315
Net assets	**451,595**	**403,805**	**302,744**
Equity			
Contributed equity	405,174	351,825	266,334
Reserves	0	37,900	26,398
Retained earnings	45,279	12,247	10,012
Total parent interest in equity	450,453	401,972	302,744
Total outside equity interest	1,142	1,833	-
Total equity	**451,595**	**403,805**	**302,744**

Note 1: Including mark to market swaps of $ 4,229,000.
Source: APG audited financial statements and unaudited management accounts.

We note from the above, that $352 million (59%) relates to the property investment portfolio that has grown significantly since 30 June 2004 when APG had $219.5 million of investment property assets. This growth in FY2005 can be attributed to three significant property purchases being Liverpool Plaza, Liverpool, NSW for $32 million, Santos House, Adelaide, SA for $54 million, and 50 Miller Street, North Sydney, NSW for $38 million. These acquisitions, together with revaluations in the year account for the increase in the property portfolio in FY2005.

The interest bearing liabilities, both current and non-current, are made up entirely of borrowings from various banks. These borrowings are a mix of fixed and variable interest loans with repayment dates on or before 1 July 2010. The borrowings are secured by a charge over the investment properties.

7.10 Capital structure and ownership

7.10.1 Issued stapled securities

The capital structure of APG is made up of stapled securities as per the following table:

Table 42: Stapled securities

	Year ended 30 June			
	2005 Actual $000	2004 Actual $000	2003 Actual $000	2002 Actual $000
Number of securities	342,836	270,420	270,420	164,897
Net asset value	403,805	302,744	290,581	165,823
Net tangible asset value	373,186	270,350	256,412	165,823
Net asset value per security	$1.18	$1.12	$1.07	$1.01
Net tangible asset value per security	$1.09	$1.00	$0.95	$1.01

Source: Audited financial statements

Set out below is the capital raising history of APG:

Table 43: APG capital raising history

Date	Securities offered	Security price	Notes	Reason
2 November 2002	37,000,000	1.10	Initial public offering	Listing
4 August 2004	27,000,000	1.18	Public offering	To be used for acquisitions, broaden shareholder base and to increase liquidity
11 October 2004	14,249,656	1.18	Security purchase plan	To be used for acquisitions, broaden shareholder base and to increase liquidity
22 December 2004	31,166,921	1.26	Public offering	To be used for acquisitions, broaden shareholder base and to increase liquidity
10 August 2005	42,600,000	1.29	Public offering	To reduce gearing and replenish working capital following acquisitions

Source: Bloomberg; APG.

As at 23 August 2005 there were 6,275 holders of ordinary fully paid stapled securities. Each fully paid stapled security has one vote per security attached to it.

7.10.2 Substantial Security Holders

The following table shows the twenty largest APG Security Holders as at 30 September 2005:

Table 44: Substantial Security Holders

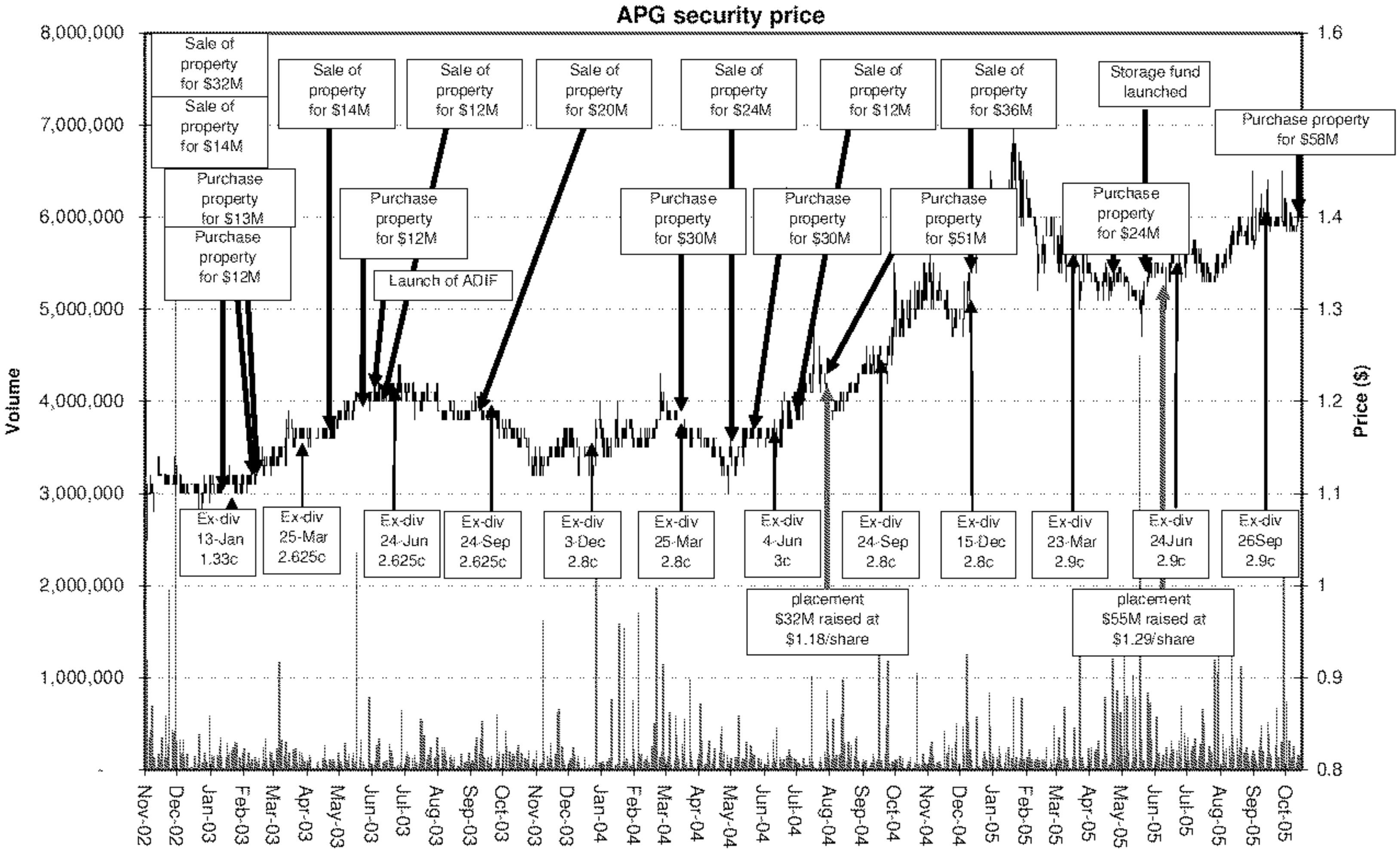
Rank	Holder	Number of Securities	% of Issued Capital
1	Australian Executor Trustees Limited	45,373,326	11.8%
2	National Nominees Limited	39,929,449	10.4%
3	Westpac Custodian Nominees Limited	19,548,258	5.1%
4	J P Morgan Nominees Australia Limited	13,569,536	3.5%
5	RBC Global Services Australia Nominees Pty Limited	13,439,960	3.5%
6	ANZ Nominees Limited	11,726,907	3.0%
7	MLEQ Nominees Pty Limited	11,653,908	3.0%
8	Tricom Nominees Pty Ltd	9,161,778	2.4%
9	RBC Global Services Australia Nominees Pty Limited	7,183,137	1.9%
10	Avanteos Investments Ltd <FSP superfund>	4,877,653	1.3%
11	Assetinsure Pty Ltd	4,683,465	1.2%
12	Craig Securities (No 2) Pty Ltd	3,300,000	0.9%
13	Kendall Securities (No 2) Pty Ltd	3,300,000	0.9%
14	Pluteus (No 164) Pty Ltd	2,730,646	0.7%
15	F M Wolf Pty Limited	2,200,600	0.6%
16	Cogent Nominees Pty Ltd	2,117,111	0.5%
17	Citicorp Nominees Pty Ltd	1,923,015	0.5%
18	Castlecrag Investments No 2 Pty Ltd	1,886,800	0.5%
19	HSBC Custody Nominees (Australia) Limited	1,740,000	0.5%
20	Avanteos Investments Ltd <Avanteos superfund>	1,706,342	0.4%
	Subtotal	202,051,891	52.4%
	Other Security Holders	183,419,768	47.6%
	Total securities outstanding as at 30 September 2005	**385,471,659**	**100.0%**

Source: Computershare

There are no options on issue at present.

7.11 **Security price history**

The APG security price increased from just under $1.20 in October 2003 to a peak of around $1.47 in February 2005 and was approximately $1.40 in late October 2005. The following graph tracks the share price movement over the last two years, together with key milestones:



7.12 Strengths Weaknesses Opportunities and Threats analysis

The table below sets out an analysis of the strengths, weaknesses, opportunities and threats of APG.

Table 45: SWOT Analysis of APG

Strengths	Weaknesses
▪ Diversified business model. ▪ Relationship with 1,500 financial planners provides an effective distribution channel. ▪ Relationship and proven track record with over 10,000 retail investors in APG-managed funds ▪ Strong balance sheet with low gearing ▪ More than 60% of APG's net revenue can be considered recurring.	• Current cost of equity relatively high. • Non-inclusion in the S&P/ASX300 Index and S&P/ASX Property Index is the possible cause of the high cost of equity. • Lack of geographical diversification in Investment property. • Santos House and 50 Miller Street vacancies in CY2007 may have a short-term adverse impact on rental income. • Weighted average lease expiry of 3.0 years (by income) and 3.2 years (by area) years is relatively short.
Opportunities	**Threats**
▪ Redevelopment of Ashfield Mall and 50 Miller Street. ▪ Continued roll out of funds management activities will enhance return on capital. Securing international assets for these funds could be an option. ▪ Growth of the Abacus Storage Fund. ▪ Abacus Retirement Living Fund could be a major growth driver given an aging population. ▪ Inclusion in the S&P/ASX300 Index and S&P/ASX Property Index. ▪ Re-leasing imminent vacancy at Santos House on more attractive terms than currently receiving from Santos. ▪ Acquire additional investment properties which would increase rental income.	• Single tenant leases at CSIRO Headquarters and 10-12 Pike Street, Rydalmere. It is noted that the CSIRO lease expires on 30 June 2012. • Some exposure to residential property through its mortgage loans and development activities. • Identification of suitable property transactions in the local market, which is sophisticated and crowded. • Santos House and 50 Miller Street vacancies will have to be managed to ensure longer term continuity of income. •

Source: Tricom and PKFCA analysis

7.13 AIFRS

To be able to continue to classify the units in AT as equity rather than debt under the new AIFRS accounting standards, AT's constitution has been amended to remove its fixed life pursuant to ASIC Class Order 05/566 issued on 6 June 2005 giving relief to facilitate changes to constitutions of listed and unlisted registered investment schemes without requiring a special resolution of members.

8 PROFILE OF ADIF

8.1 Background

ADIF is an unlisted, diversified property investment fund which comprises AIT and AGPL.

The principal activities of ADIF comprise:

- investment in tourism, commercial, retail, industrial and residential properties, whether directly, or by way of joint ventures;
- the ownership of hotel operations, specifically at the Rydges Esplanade Resort, Cairns;
- mortgage lending; and
- participation in other property related activities and joint ventures.

AIT was formed on 17 December 2002 and was registered as a managed investment scheme with ASIC on 2 June 2003. Units in AIT are stapled to shares in AGPL.

ADIF was established to acquire properties valued generally in the range of $5 million to $20 million. The objective is that the investment properties will provide a reliable income stream and potential for capital growth. ADIF enhances returns from the property investment portfolio through structured investments in secured loans and participation in development projects.

The first ADIF offer document to raise funds from the public was issued on 16 June 2003 to raise $33 million. The issue price of each ADIF stapled security was $1.00. Accordingly, ADIF results for the period to 30 June 2003 are for one month only and are not representative and FY2004 is the first full year of operations.

The most recent offer document to raise funds from the public was issued on 28 April 2004 and closed on 17 December 2004. The issue price of each ADIF stapled security was $1.02, being $0.97 for a unit in AIT and $0.05 per share in AGPL. A total of $102.2 million in equity has now been raised for ADIF. The proceeds from these raisings were used to progressively reduce loan funds advanced by APG while ADIF was building its property portfolio.

ADIF has grown its assets from approximately $55 million at 30 June 2003 to approximately $223 million as at 30 June 2005 and approximately $239 million as at 30 September 2005. The ADIF Investment Trust had mortgage loans totalling $32.5 million outstanding at 30 June 2005.

ADIF is managed by AFM which is a member of APG. The AFM management team comprise property management specialist as well as finance, legal, accounting and marketing professionals. AFM manages AIT in its capacity as the responsible entity of the trust, and manages AGPL in accordance with an agreement between the two entities.

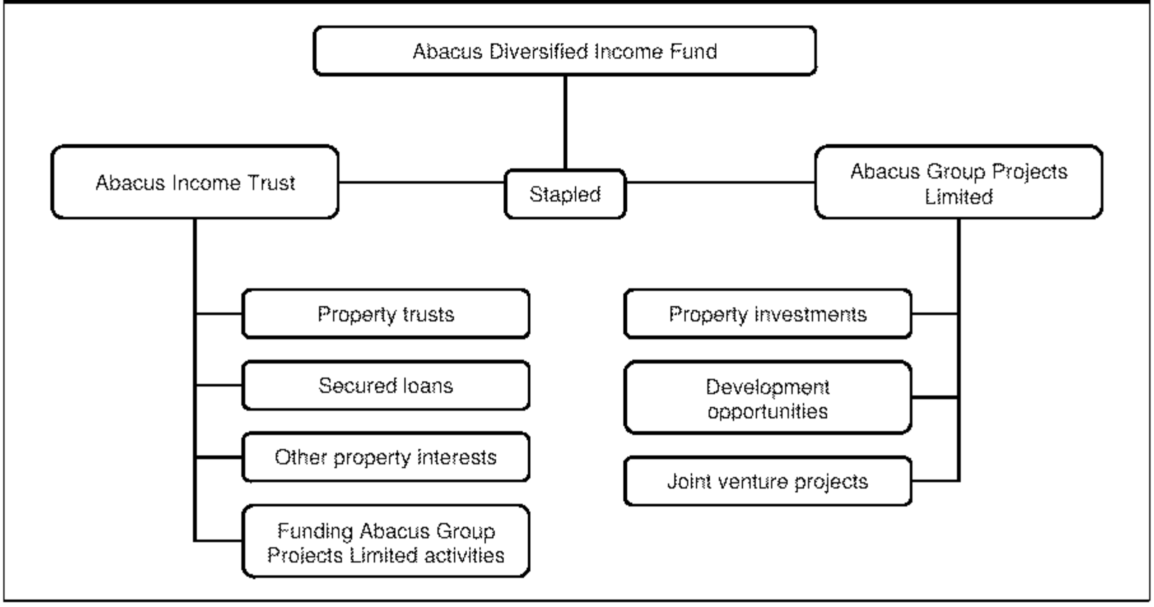
8.2 Group structure

An ADIF security consists of one unit in AIT and one share in AGPL. Any transfer, issue or reorganisation of a unit in AIT is accompanied by a transfer, issue or reorganisation of a share in AGPL.

All assets in AIT are held by an external custodian, currently Perpetual Trustee Company Limited. Procedures for the management and administration of the trust are set out in a compliance plan lodged with ASIC. The compliance plan is overviewed by a compliance committee with a majority of external members and is audited annually by an external auditor.

The diagram below illustrates ADIF's structure and the abovementioned stapling arrangement.

Table 46: Structure of ADIF



Source: Management information

AIT owns 100% of the ADIF Investment Trust, a unit trust that provides funding to development projects or structured investments. Such lending is typically secured by mortgages or property-backed debentures. AIT indirectly owns 75% of Abacus Independent Retail Property Trust **("AIRPT")**, which is a joint venture with Metcash Trading Limited **("Metcash")**, which owns the remaining 25% of AIRPT. The objective of AIRPT is to acquire retail centres anchored by a long term lease to an IGA supermarket.

In October 2004, AGPL formed and holds 75% of Abacus Matson Holdings Pty Limited that in turn owns certain real property and management rights in the Rydges Esplanade Resort, Cairns and associated apartments. AFM management has estimated that the management rights acquired on purchase of the Rydges Esplanade Resort to manage and operate the apartments within the complex have a life of 10 years based on existing management agreements with the owners of the apartments.

8.3 The directors and management of AFM and AGPL

The members of the Board of Directors of AFM are detailed at paragraph 7.3 above. The directors of AGPL are Dr F Wolf and Messrs D Bastian and L Lloyd. As the two entities comprising ADIF are managed externally by AFM, they do not have their own management structure.

8.4 AIFRS

AIT was a trust with a fixed life of 10 years. To be able to continue to classify the units as equity rather than debt under the new AIFRS accounting standards, AIT's constitution has been amended to remove its fixed life pursuant to ASIC Class Order 05/566 issued on 6 June 2005 giving relief to facilitate changes to constitutions of listed and unlisted registered investment schemes without requiring a special resolution of members.

The responsible entity has advised Security Holders that the financial impact of AIFRS is not expected to affect the future distribution policy of AIT. It has been the policy of AIT to align distributions to earned income as closely as possible so that in future, in determining distributable income, any material non-cash income or expense items will be adjusted for in the calculation of distributable profits.

8.5 Financial history and Forecast

8.5.1 Statements of financial performance

Previously, no formal consolidation of AIT and AGPL to produce consolidated financial statements for ADIF has been undertaken. APG management have provided us with pro forma consolidated financial statements for ADIF for FY2004, FY2005 and a Forecast (for FY2006). The table below sets out a summary of the ADIF consolidated statements of financial performance:

Table 47: Statements of financial performance

Pro forma consolidated for the year ended	Forecast 30-Jun-06 $'000	Actual 30-Jun-05 $'000	Actual 30-Jun-04 $'000
Income			
Property related net income	16,561	10,783	7,462
Mortgage related net income	3,051	3,922	2,311
Net Share of Joint Venture Profits	1,038	82	94
Other Income:			
- Bank Interest income	187	176	60
- Other income	-	132	-
- Profit on sale of investments	79	1,696	-
Total Other Income	266	2,004	60
Total income	20,915	16,792	9,927
Less: Expenses			
Amortisation of Management Rights	119	40	-
Other expenses	686	665	747
AFM management fees	1,915	1,348	430
Sub-total	2,720	2,053	1,177
Net Financing costs			
- Amortisation of Finance costs	27	-	18
- Interest Expenses - AT / AMF	1,311	1,451	2,282
- Interest Expenses - Bank	7,430	5,170	3,579
Total interest costs	8,768	6,621	5,879
Total expenses	11,489	8,674	7,056
Earnings before tax	9,427	8,118	2,870
Minority Interests			
- Wollongong 1.6%	(8)	(6)	(8)
- AIRPT 25%	67	-	-
- Rydges Esplanade Resort 25%	(41)	72	-
Total minority interests	17	66	(8)
Net profit before tax	9,444	8,184	2,863
Income tax expense	(261)	-	-
Net profit available for Distribution	**9,183**	**8,184**	**2,863**
Less: Distribution - AIT	9,400	8,130	3,337
Less: Distribution - AGPL	-	-	-
Retained Earnings	**(217)**	**54**	**(474)**

Source: Audited financial statements and Management information

8.5.2 AIT results

The following table dissects the revenue and results of the AIT business segments:

Table 48: AIT business segment revenue and net profit before tax

Year ended 30 June	2005 $'000	2004 $'000
Revenue		
Property rental	14,787	9,138
Sale of investments	15,175	0
Mortgage financing	4,189	2,506
Interest income	311	62
Other	448	0
Total revenue	34,910	11,706
Results		
Property rental	10,334	6,314
Sale of investments	1,365	0
Mortgage financing	3,673	2,281
Interest income	310	60
Borrowing costs	(7,335)	(5,861)
Total net profit before tax	8,347	2,794

Source: Audited financial statements

The net profit of AIT has grown from $2.8 million in FY2004 to $8.3 million in FY2005. Additionally, the market values of assets increased $3.3 million in FY2005.

8.5.3 AGPL results

The following table dissects the revenue and results of the AGPL business segments:

Table 49: AGPL business segment revenue and results

Year ended 30 June	2005 Audited $000	2004 Audited $000
Revenues from hotel operations	4,525	0
Sale of investments	539	0
Interest	1	0
Other	82	94
Carrying amount of investment properties disposed	(460)	0
Salary and employee benefits	(2,090)	0
Other expenses from ordinary activities	(2,826)	(17)
Profit from ordinary activities before tax	(229)	77
Company income tax expense	-	-
Net profit/(loss)	(229)	77
Net profit attributable to outside equity interest	72	-
Net profit/(loss) attributable to members of AGPL	(157)	77
Increase in asset revaluation reserve	325	-
Revaluation increment on disposed investment properties	43	-
Total revenues, expenses, and valuation adjustments attributable to members and recognised directly in equity	368	-
Total changes in equity other than those resulting from transactions with members as owners	211	77

Source: Audited financial statements

The operating revenue of AGPL largely arises from the hotel business and the costs of the company are also driven by the hotel business that it commenced operating in FY2005.

There is a small amount of revenue from non-operating activities from the disposal of a commercial suite ($539,000), some distributions from other entities ($82,000) and a minimum amount of interest received.

8.6 ADIF distributions

ADIF historical and Forecast distributions are as follows:

Table 50: ADIF historical and Forecast distributions

			Taxable component				
Year ended/ing		Distributions per security cents	Income %	Discounted capital gains %	Total taxable distribution %	Concessional Capital gains %	Tax Deferred component %
Jun-04	Actual	9.00	0.0	0.0	0.0	0.0	100.0
Jun-05	Actual	9.25	14.5%	9.2%	23.7%	9.2%	67.2%
Sep-05-Qtr	Actual	2.31	42.1%		42.1%		57.9%
Dec-05-Qtr	Forecast	2.31	42.1%		42.1%		57.9%
Mar-06-Qtr	Forecast	2.31	42.1%		42.1%		57.9%
Jun-06	Forecast	9.25	42.1%		42.1%		57.9%

Note:

1. Income paid to ADIF security-holders may be made up of distributions from the AIT and dividends from AGPL. To date, all income payments have been distributions from AIT.
2. Sep-05-Qtr, Dec-05-Qtr and Mar-06-Qtr refer to the 3 months ended September 2005, December 2005 and March 2006, respectively.

8.7 Statements of financial position

The table below sets out a summary of the ADIF consolidated statements of financial position as at 30 June 2004, 2005 and 30 September 2006:

Table 51: Summary ADIF consolidated statement of financial position as at

	30 September 2005 Unaudited $'000	30 June 2005 Audited $'000	30 June 2004 Audited $'000
Assets			
Cash	5,253	1,794	504
Receivables & other financial assets	5,458	6,094	1,444
Investments in Joint Ventures	1,500	3,357	-
Investment properties[1]	200,979	177,422	138,504
Management rights	1,124	1,154	-
Mortgage Loans (P&I)	24,586	32,553	26,253
Total Assets	238,900	222,374	166,715
Les: Liabilities			
Creditors and Accruals	4,639	3,970	750
Provision for Distribution	2,370	2,342	1,252
Borrowings - Loan APG	19,980	14,567	29,556
Borrowings – Third party	7,775	7,692	-
Borrowings – Bank[2]	103,086	92,432	78,744
Total Liabilities	137,850	121,003	110,302
Net Assets	**101,050**	**101,371**	**56,414**
Equity			
Capital Subscribed	102,258	102,193	60,223
Issue & finance costs	(5,122)	(5,054)	(3,402)
Revaluation Reserve	0	3,673	-
Retained Earnings	2,934	(373)	(471)
Outside Equity	980	932	63
Unit holders' Equity	**101,050**	**101,371**	**56,414**
Units on issue (period end)	101,543,783	101,479,051	60,135,798
NA per security ($)	$1.00	$1.00	$0.94
NTA per security ($)[3]	$0.98	$0.99	$0.94
Gearing (borrowings: total assets)	54.8%	51.6%	65.0%

Note:
1. Including owner-occupied hotel property and plant & equipment
2. Including Swap liability of $586,000
3. Excluding Property management rights

Source: Audited financial statements and Management information

8.7.1 Summary of property assets

Set out below are the properties and assets which comprise ADIF's property portfolio, together with market values of the individual properties based on recent independent property valuations:

Table 52: ADIF's properties

			Independent valuation			
Property/ Assets	Interest %	Book value of ADIF share of property as at 30 Sep 05 $ millions	JV property Value of 100% interest $ millions	JV property Value of AIT interest $ millions	Non JV property $ millions	Independent valuation Date
Abacus Income Trust						
Lennons Plaza	100	34.18			34.15	30-Jun-05
Rydges Esplanade Resort	75	16.88	22.50	16.88	-	30-Jun-05
Kings Park	100	15.80			15.80	30-Jun-05
Noble Park	100	18.10			18.10	30-Jun-05
Dingley	100	12.60			12.60	30-Jun-05
Stafford	100	5.10			5.10	09-Jun-05
Pinkenba 1	100	3.30			3.30	30-Jun-05
Pinkenba 2	100	3.00			3.00	30-Jun-05
Pitt St Car park	100	13.05			13.05	30-Jun-05
Wollongong[1]	98.4	11.00	11.00	10.82		30-Jun-05
Chermside	100	4.60			4.60	30-Jun-05
Tamworth	100	11.42			11.40	30-Jun-05
Mertz Apartments	100	6.86			6.30	13-May-05
Campbellfield	100	8.82			8.45	09-Jun-05
Abacus Retail Property Trust (Metcash JV - 75% owned by AIT)[2]						
Castlemaine IGA	75.00	8.03	7.50			01-Jul-05
Gympie Market Place	75.00	7.35	7.35			30-Jun-05
Eaglehawk IGA	75.00	6.17	5.60			01-Jul-05
Cobar	75.00	1.24	1.24			30-Jun-05
St George	75.00	3.11	2.90			01-Sep-04
Bathurst[3]	75.00	3.48	3.25			02-May-05
North Bundaberg	75.00	5.68	5.20			11-Aug-05
Wangaratta[3]	75.00	3.00	3.00			21-Oct-05
Abacus Group Projects Limited						
Rydges Esplanade Resort, Cairns	75.00	1.12	0.00	0.00	1.25	30-Jun-05
Cronulla	50.00	1.50	3.00	1.50		04-Jun-03
Total properties		**205.4**				

Notes:

1. Wollongong

   AIT owns 98.4% of this property via an investment vehicle. Accordingly, 100% of the value is consolidated in the AIT accounts and a minority interest is separately deducted from equity.

2. Abacus Retail Property Trust

   AIT owns 100% of this investment vehicle that in turn owns 75% of Abacus Independent Retail Investment Property Trust that owns the properties. Accordingly, 100% of the value is consolidated in the AIT accounts and a minority interest is separately deducted from equity.

3. Bathurst & Wangaratta

   Values of $3.25 million and $3 million for Bathurst and Wangaratta, respectively, are based on a rental guarantee from IGA Distribution for the remaining term of the leases and a new lease of 15 years term and the 10 year option, respectively, in respect of the supermarket only. No guarantee is provided in respect of the remaining speciality shops.

4.	Expenditure capitalised to properties Book values include expenditure capitalised to properties that includes the cost of acquisition, capital and refurbishment additions, and during development includes financing charges and related professional fees incurred. General Note: The consolidated values include capital expenditures after the last valuation date, and in the case of North Bundaberg, capitalised interest.
Source:	Management information

We note the following in relation to the above:

- AIT owns 100% of the units in the Abacus Matson Resort Trust which owns 75% of interest in the real estate of the Rydges Esplanade Resort at 209-217 Abbot Street, Cairns, QLD;
- AIT owns 100% of the units in Abacus Retail Property Trust which owns 75% of the units in Abacus Independent Retail Property Trust which owns the Castlemaine, Gympie Market Place, Eaglehawk, Cobar, St George, Bathurst, North Bundaberg and Wangaratta properties;
- the Bundaberg Metcash development site has been acquired since 30 June 2005 in an arms-length transaction. As at 30 June 2005 and 30 September 2005, the investment (including capitalised interest) and carrying value (at 100%) were approximately $5.6 million and $5.7 million, respectively. A building contract has been entered into with a third party builder to build a shopping centre on the site. AIRPT expects to earn an initial yield of 9% pa on the centre upon completion in 12 to 18 months time. Interest is being capitalised into the carrying value of the project. No construction costs have been incurred yet, and none are currently Forecast for FY2006;
- the Wangaratta property has been acquired since 30 September 2005 in an arms-length transaction and the purchase price and associated costs of acquisition have been funded entirely by borrowings. Accordingly, the net assets balance of ADIF as at 30 September 2005 is unlikely to change materially if account is taken of this acquisition;
- AIT has a 300 year leasehold interest in the 109 Pitt Street, Sydney car park effective from June 2003. The car park is sub-leased to Abacus Property Services Pty Limited, a subsidiary of AFM, the manager of ADIF; and
- the sale by AGPL of a 50% ownership interest in the "Spotlight" Shopping Centre at 147-157 Queen Street, Campbelltown, Sydney, was completed in August 2005.

8.7.2 Geographical exposure of property assets

Geographically, the property portfolio is all within Australia, spread over four states being Queensland (43%), New South Wales (29%), Victoria (24%) and South Australia (3%). The class of property is spread between retail (41%), Industrial (39%), tourism (10%), commercial (7%) and residential (4%).

8.7.3 Lease expiry profile

Set out below is the ADIF property lease expiry profile.

Table 53: ADIF property lease expiry profile (by area)

Source: AFM

The above chart clearly highlights the long-term leases that ADIF currently has in place.

8.8 Mortgage lending portfolio

The nature of the specialist lending conducted by ADIF is similar to that conducted by APG, that is, what is known as "mezzanine" lending (refer paragraph 7.4.4 above). We note that, whereas in certain instances APG takes a position of both lender and "joint venture" equity investor, to date, ADIF has only provided mortgage finance.

Total mortgage loans outstanding (excluding accrued interest) were $24.6 million at 30 September 2005, $27.7 million at 30 June 2005 and $23.7 million at 30 June 2004. Interest is compounded monthly for all of the loans.

Table 54: Analysis of ADIF mortgage portfolio

Mortgages	30-Jun-04 $'000	30-Jun-05 $'000	Quarter ended 30-Sep-05 $'000	6 months ended 31-Dec-05 $'000	30-Jun-06 $'000
Net Mortgage related net income	2,311	3,922	919	1,611	3,051
Mortgage fund balance (less accrued interest)	23,698	27,665	24,586	24,318	23,706

Source: ADIF

As at 30 September 2005 accrued interest amounted to approximately $2.8 million.

The mortgages are secured by real property assets. As at 30 September 2005, repayment dates for loans were within 2 years. The weighted average interest rate for the loans was 13.9%pa (2004: 13.9% pa). The average loan principal as at 30 September 2005 was approximately $3.6 million, with three loans having principal amounts of $5 million or more.

The contribution to EBITDA from the mortgage portfolio was, and is forecast, as follows:

Table 55: ADIF mortgage loans EBITDA contribution

Contribution for period ended/ing	EBITDA 30 June 2006 Forecast $ million	EBITDA 30 June 2005 Actual $ million	EBITDA 30 June 2004 Actual $ million
Contribution[1]	3.1	3.9	2.3

Note Before apportioned operating expenses.
Source: ADIF

The reduction in the FY2006 forecast income from that earned in FY2005 results from the assumed reduction in the total amount of outstanding loans.

8.9 Projects and joint ventures

ADIF has conducted two joint venture investments with experienced property investors or developers. These joint venture activities enable ADIF to participate in a range of property related opportunities with selected industry participants. The contribution of joint ventures investment activities to ADIF income has been, and is Forecast, as follows:

Table 56: Joint ventures net profit contribution (after development expenses)

Contribution for period ended/ing	Forecast 30-Jun-06 $'000	Actual 30-Jun-05 $'000	Actual 30-Jun-04 $'000
Net share of Joint Venture profits	1,038	82	94

Notes: Before apportioned operating expenses
Source: ADIF

The contribution of the joint ventures income forecast for FY2006 arises from the following two projects, of which Spotlight Campbelltown was sold in the September 2005 quarter.

Table 57: Joint ventures net profit contribution (after development expenses)

Joint Venture	Quarter	Amount $,000
Spotlight Campbelltown	Sep-05	538
Bando Rd Cronulla	Jun-06	500
Total		**1,038**

Notes: Before apportioned operating expenses
Source: ADIF

We are advised that construction of the Bando Road Cronulla home unit development is expected to be completed by the end of 2005 and marketing of the units is due to commence in December 2005.

8.10 Income tax losses - AGPL

Future income tax benefits arising from income tax losses of AGPL ($68,600) and a controlled entity of AGPL ($391,086)) have not been recognised at reporting date as realisation of the benefit is not regarded as virtually certain. This future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the combined entity in realising the benefit.

8.11 Security Holders

There are 3,217 ADIF Security Holders, only one of which holds more than 0.6% of the issued securities. That Security Holder holds 13.7% of the issued securities. However, that holder is a master fund that holds the securities on behalf of investors in that fund. The total number of issued ADIF securities as at 30 September 2005 was 101,543,783 and the top 20 Security Holders held 19,390,191 securities, or 19.1% of the total issued securities.

8.12 Strengths, weaknesses opportunities and threats analysis

Set out below is a summary of PKFCA's analysis of the above factors as they apply to ADIF:

Table 58: ADIF SWOT Analysis

Strengths	Weaknesses
▪ Well diversified property portfolio. ▪ Strong manager – AFM has a track record of successful asset management. ▪ More than 79% of ADIF's FY2006 net revenue is Forecast to be sourced from investment properties (including owner-occupied hotel property). ▪ WALE of 6.3 years by income and 7.8 years by area.	▪ Current cost of equity relatively high. ▪ Single leases at many properties - most of which have been purpose built for the tenant. ▪ Difficult to acquire properties to enhance the size of the Fund without reducing earnings per security. ▪ Size is too small to warrant listing on ASX.
Opportunities	**Threats**
▪ Joint venture with Metcash for acquisition of retail properties ▪ Acquire additional investment properties, which would increase rental income. ▪ Growth and possible listing to provide liquidity.	▪ Identification of suitable property transactions in the local market, which is mature. ▪ Some exposure to residential property through its mortgage loans and development activities. ▪

9 PROFILE OF THE MERGED GROUP

9.1 Introduction

A profile of the Merged Group is set out in this section, including;

- an overview of the:
  - operations;
  - management;
  - capital structure and ownership;
  - pro forma FY2005 and Forecast FY2006 financial information; and
- a summary of the expected financial implications of the Proposed Merger from the perspective of APG and ADIF Security Holders.

9.2 Overview of Merged Group

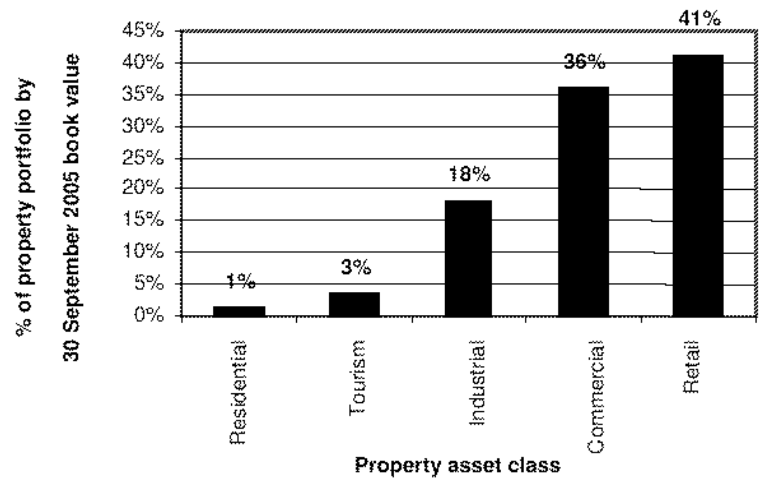
The Merged Group will aggregate the business activities of APG and ADIF which will result in:

- for APG Security Holders - an increase in the size and diversification of APG's present activities; and
- for ADIF Security Holders:
  - a significantly greater increase in the size and diversification as compared with ADIF's present activities;
  - the introduction of funds management activities; and
- for both entities - a change in the composition of earnings.

9.3 Merged Group property investment activities

The property portfolio of the Merged Group would be more diversified in terms of property type, property location and tenant concentration. The chart below sets out the composition of the Merged Entity property asset portfolio (by asset class):

Table 59 Composition of Merged Group Property Portfolio by asset class

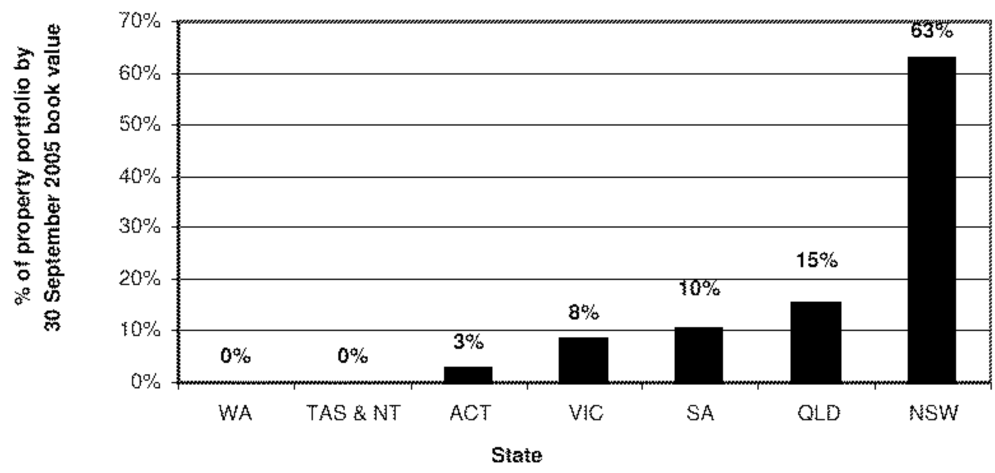


Source: APG

The diversification of the Merged Group property assets by asset class is superior to that of the property assets of either APG or ADIF individually.

Set out below is a table which sets out the composition the Merged Group property asset portfolio by geographic location:

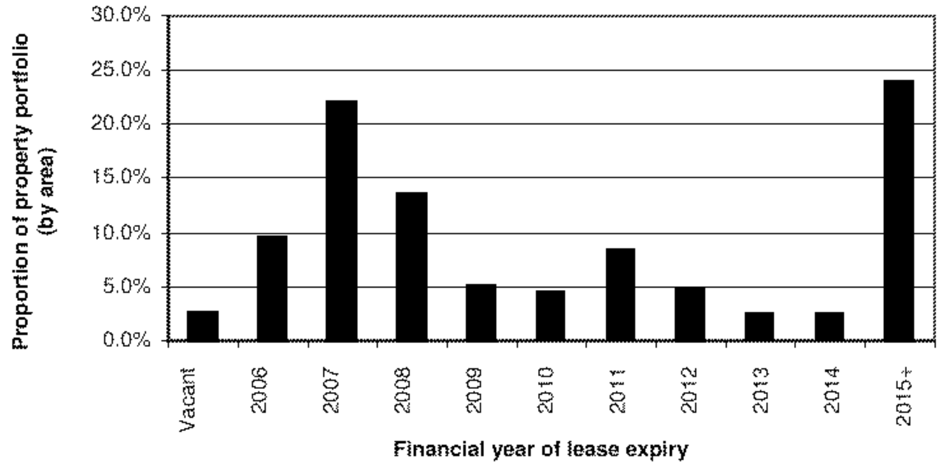
Table 60 Composition of Merged Group Property Portfolio by geographic location



Source: APG

The diversification of the Merged Group property assets by property location is superior to that of either APG or ADIF individually. The lease expiry of the Merged Group's property portfolio as at 30 September 2005 is as follows:

Table 61 Merged Group lease expiry (by area)



Source: APG

The lease expiry of the Merged Group's property portfolio is extended as compared with APG's lease expiry, but shortened as compared with ADIF's lease expiry.

9.4 Merged Group funds management

The Proposed Merger will internalise the management of ADIF and remove potential conflicts of interest from the perspective of ADIF Security Holders. The Proposed Merger would result in AFM reducing its level of external funds under management and reducing the net external fees received by the Merged Group as compared with APG's present position.

9.5 Property development and financing

It is possible that the Proposed Merger will improve the cost of capital to the Merged Group, as compared with that available to APG or ADIF individually. This would make more projects viable in terms of meeting cost of capital minimum hurdle rates, or allow potentially greater net returns to the Merged Group.

9.6 Management of the Merged Group

As the management of both APG and ADIF is the same, the management of the Merged Group will remain unchanged.

9.7 Capital Structure and ownership.

Based on the Merger Ratio and assuming no change in the current security holdings of APG and ADIF, the top 20 Security Holders of the Merged Group and the number of securities in the Merged Group they would hold would be as follows:

Table 62: Merged Group Security Holders

Rank	Name	Securities in Merged Group	% of issued Capital
1	Australian Executor Trustees Limited	45,373,326	9.8%
2	National Nominees Limited	39,929,449	8.6%
3	RBC Global Services Australia Nominees Pty Limited	20,623,097	4.4%
4	Westpac Custodian Nominees Limited	19,548,258	4.2%
5	Avanteos Investments Limited (and associated accounts)	17,464,093	3.8%
6	J P Morgan Nominees Australia Limited	13,569,536	2.9%
7	ANZ Nominees Limited	11,726,907	2.5%
8	MLEQ Nominees Pty Limited	11,653,908	2.5%
9	Tricom Nominees Pty Ltd	9,161,778	2.0%
10	Assetinsure Pty Ltd	4,683,465	1.0%
11	Craig Securities (No 2) Pty Ltd	3,300,000	0.7%
12	Kendall Securities (No 2) Pty Ltd	3,300,000	0.7%
13	Pluteus (No 164) Pty Ltd	2,730,646	0.6%
14	F M Wolf Pty Limited	2,200,600	0.5%
15	Cogent Nominees Pty Ltd	2,117,111	0.5%
16	Citicorp Nominees Pty Ltd	1,923,015	0.4%
17	Castlecrag Investments No 2 Pty Ltd	1,886,800	0.4%
18	HSBC Custody Nominees (Australia) Limited	1,740,000	0.4%
19	Next Australia Pty Ltd	468,000	0.1%
20	Invia Custodian Pty Limited	393,782	0.1%
	Subtotal	213,793,771	46.0%
	Other Security Holders	250,882,039	54.0%
	Total securities outstanding	**464,675,810**	**100.0%**

Source: Computershare, PKFCA analysis

The above table indicates that no one person or entity would dominate the share register of the Merged Group.

9.8 Merged Group financial information

9.8.1 Historical and Forecast pro forma consolidated income statements of Merged Group

Set out below are historical pro forma consolidated income statements of the Merged Group, on both an AGAAP and AIFRS basis, for FY2005 and Forecast pro forma consolidated income statement for FY2006 on an AIFRS basis:

Table 63: Merged Group consolidated pro forma income statements

	Forecast	Historical	
	June 2006 AIFRS $'000	June 2005 AIFRS $'000	June 2005 AGAAP $'000
Net Property Income	46,396	33,252	34,629
Net Mortgage investment income	16,715	15,836	15,836
Net Fund management income	7,452	4,611	4,611
Net Development & Investment income	4,587	6,332	6,332
Earnings before interest, tax & amortisation	**75,150**	**60,031**	**64,408**
Net financing costs	(17,978)	(12,956)	(12,956)
Amortisation of intangibles	(119)	(40)	(1,815)
Net Profit before tax, revaluations, minority interest	**57,053**	**47,035**	**46,637**
Income tax	(1,261)	(223)	(356)
Outside equity interests	(129)	(612)	(612)
Net Profit before revaluations	**55,663**	**46,200**	**45,669**
Change in fair value of investment properties	-	16,525	-
Net Profit attributable to stapled investors	55,663	62,725	45,669
Distribution paid or payable	(54,831)	(44,856)	(44,856)
Retained Earnings	**832**	**17,869**	**813**
Earnings per security – cents (basic) [(1) (2)]	11.98	15.96	11.62
Distribution per security – cents [(1) (2)]	11.80	11.40	11.40
Distribution Summary (ex AIFRS revaluations):			
Net profit before revaluations	**55,663**	**46,200**	**45,669**
Distributions paid & payable	**(54,831)**	**(44,856)**	**(44,856)**
Retained Earnings	**832**	**1,344**	**813**

Note:
1. EPS and DPS for FY2005 are based on pro forma 393.0 million weighted average securities on issue for the year.
2. EPS and DPS for FY2006 are based on pro forma 464.7 million weighted average securities on issue for the year.

9.8.2 Basis of preparation of Forecast pro forma consolidated income statement

The Forecast pro forma financial information was prepared based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions which are expected to take place, including the key assumptions set out below. The Forecast pro forma financial information was prepared on the basis of currently available information and estimates. The Directors believe due care and attention have been used in the preparation of the Forecast pro forma financial information and consider the assumptions to be reasonable when considered as a whole.

However, this information is not fact and Security Holders are cautioned not to place undue reliance on the Forecast pro forma financial information. Please refer to paragraph 2.7 above for details of the scope of PKFCA's review of the Forecasts.

The pro forma financial information for FY2005 and the Forecast has been compiled as if the Proposed Merger had occurred on 1 July 2004 (in respect of FY2005) and 1 July 2005 (in respect of FY2006) and reflect, on pro forma basis, the impact of the matters, events and transactions set out in the paragraphs below.

Further details of the Forecasts and the assumptions can be found in Section 5 of the accompanying Explanatory Memorandum.

9.8.3 Key Forecast assumptions

The pro forma Income Statements for FY2005 have been compiled based on the historical audited Income Statements for FY2005 for each of APG and ADIF, adjusted for significant events and transactions since 30 June 2005.

The Forecast pro forma Income Statements for FY2006 has been prepared on the basis of the assumptions detailed below.

General Forecast assumptions

The principal general assumptions upon which the Forecast financial information for each of APG, ADIF and the Merged Group has been prepared are:

- continuation of existing operating strategy, which is to achieve growth in returns to investors through active management of the existing property portfolio and acquisitions of new properties, growth in the funds management activities through establishment of new investment vehicles, and continuing to take advantage of investment opportunities in joint ventures and other development activities as they arise;
- no acquisitions or disposals of investment properties (other than acquisitions actually completed since 30 June 2005 and included in the pro forma adjustments outlined in Section 5 of the accompanying Explanatory Memorandum and the continued sales of strata units at 109 Pitt street, Sydney) have been incorporated into the Forecast information. However, Security Holders should be aware that, consistent with the operating strategy described in the Explanatory Memorandum, APG and ADIF are actively seeking opportunities to add value through the acquisition of investment property assets;
- no material changes will be announced as regards the content of the currently issued AIFRS standards and no new standards or other mandatory reporting requirements will be issued that may have a material effect on the financial results;
- no material changes in the taxation legislation or current corporate tax rates that will have a material impact during the Forecast period;
- no substantial changes in the existing regulatory environment in which each of APG, ADIF and the Merged Group will operate; and
- no substantial changes in each of APG, ADIF and the Merged Group's competitive environment.

In preparing the Forecast pro forma consolidated income statement for the Merged Group, all inter-entity transactions between APG and ADIF have been eliminated. A summary of the eliminations is set out below:

- elimination of property management fees and asset management fees charged by APG to ADIF;

- elimination of property acquisition fees and performance fees charged by APG to ADIF; and
- elimination of interest charged by APG to ADIF on loan funds advanced by APG.

In addition, brokerage commissions payable to Financial Advisors in respect of capital raised by ADIF have been eliminated as they will no longer be payable.

Net property income

Net property income comprises gross property rental income, recoveries from tenants and other ancillary income from investment properties, less direct property related expenses and outgoings. Forecast property rental income is based on existing leases and, where applicable, Forecasts of changes on review and renewal based on existing lease terms. Factors taken into account in determining Forecast changes include:

- market conditions in the asset classes in which APG and ADIF operate;
- economic conditions, including CPI growth rates and general economic growth rates; and
- lease renewals, either to existing tenants or alternative tenants at market rates. Where appropriate, allowance is made for vacancy provisions and incentives.

Property expenses and outgoings are Forecast on a property by property basis and allow for both recoverable and non-recoverable expenses and outgoings. Recoverable expenses typically include expenses that directly relate to the operation of the property, such as cleaning, rates and taxes, light and power, repairs and maintenance, security, insurance, property management and supervision and other sundry expenses. Non-recoverable expenses typically include such items as leasing costs and legal fees.

Net property income includes an allocation of indirect APG, ADIF or Merged Group overhead expenses incurred. The method of allocating these overheads is consistent with that adopted in previous years.

Net mortgage investment income

Net mortgage investment income largely comprises interest earned on property related mortgages less certain direct expenses incurred in relation to the loan portfolio and, in respect of ADIF where applicable, performance fees payable to APG upon meeting certain benchmark returns.

Forecast interest income is based on mortgage investment loans existing as at 30 June 2005 and their respective terms and interest rates, adjusted for pro form net repayments of mortgage loans since 30 June 2005. Where mortgages have been repaid since 30 June 2005, or are due to expire during the Forecast period, no reinvestment of proceeds of net repayments has been assumed.

Net mortgage investment income includes an allocation of indirect APG, ADIF or Merged Group overhead expenses incurred. The method of allocating these overheads is consistent with that adopted in previous years.

Net funds management income

Net funds management income typically comprises property management fees, funds management fees, performance fees, consulting fees and income, acquisition and due diligence fees, capital raising fees and other ancillary income.

The Forecasts only include income that is considered to have a relatively high degree of certainty as to its derivation.

Net funds management income includes an allocation of indirect APG overhead expenses incurred. The method of allocating these overheads is consistent with that adopted in previous years.

Net development and investment income

Net development and investment income typically includes the share of equity accounted development joint venture profits and any change in net market value of certain investments. Forecast net development and investment income is based on transactions completed to date and assumed profits that have a relatively high probability of realisation in relation to equity accounted development joint venture profits and market values of investments accounted for at net market value.

Net development and investment income is reported after allocating indirect APG, ADIF or Merged Group overhead expenses incurred. The method of allocating these overheads is consistent with that adopted in historical periods.

Net financing costs

Net financing costs represent net borrowing costs, being the market interest rates plus borrowing margins and fees, for both APG and ADIF's interest bearing debt portfolio. The Directors believe that there is no reasonable basis on which to make Forecasts in relation to future interest rates, or general market conditions and that these are matters outside their control. Accordingly, the Directors are unable to accurately quantify the impact of these unknown conditions on the Forecast financial information.

Net interest expense takes into consideration the following factors:

- interest bearing debt existing at 30 June 2005 and the maturity profile of that debt;
- interest rate swap arrangements existing at 30 June 2005;
- the impact of pro forma net adjustments on the interest bearing debt portfolio, e.g. increases in external debt to assist in the funding of newly acquired investment properties and decreases in external debt utilising the proceeds of recent capital raisings and other available cash reserves;
- Forecast capital expenditure for existing and pro forma adjusted investment properties. The Forecast assumes that APG, ADIF and the Merged Group will fund required capital expenditure by utilising available cash reserves or unused interest bearing debt facilities;
- the refinancing of existing debt facilities as they mature, based on existing borrowing margins and line fees. It is assumed that the existing borrowing margins for both APG and ADIF on a stand alone basis will remain unchanged over the Forecast period and the Merged Group will pay the existing borrowing margins; and
- there is no Forecast of movements in market values of derivatives as the Directors believe that there is no reasonable basis on which to make Forecasts in relation to future interest rates, or general market conditions and that these are matters outside their control. Accordingly, they are unable to accurately quantify the impact of these unknown conditions on the Forecast financial information.

Amortisation of intangible assets

Under AGAAP, APG amortised the goodwill relating to the acquisition of AFM.

Under AIFRS, goodwill will no longer be systematically amortised but rather be subject to annual, or more regular, impairment testing. It is assumed that the carrying value of APG's goodwill will not be impaired and subject to a write down against profit.

Management rights are subject to fixed term contracts and accordingly, will continue to be amortised over the life of the management contract.

Changes in fair value of investment properties

No changes in future valuations of properties have been assumed for the Forecast period as Directors believe that there is no reasonable basis on which to make Forecasts in relation to future capitalisation rates, property yields or general market conditions and that these are matters outside their control. Accordingly, the Directors are unable to accurately quantify the impact of these unknown conditions on the Forecast financial information.

Distribution paid and payable

Distributions paid and payable by APG are based on securities on issue at 30 June 2005, adjusted for additional securities issued in August 2005 after the completion of the capital raising, at the distribution rates set out in paragraph 9.8.5 below.

Distributions paid and payable by ADIF are based on securities on issue at 30 June 2005 (ADIF was closed to new capital on 17 December 2004) at the distribution rates set out in paragraph 9.8.5 below.

Tax Expense

Tax expense has been forecast on the assumption of no legislative changes to the current taxation laws. Under current income tax legislation, AT and AIT are not liable for income tax provided they distribute their taxable income to Security Holders each year. It is assumed that both AT and AIT will distribute sufficient net income to ensure neither will be liable for income tax.

Under AIFRS, deferred tax expense is recognised based on the differences between tax values and book values in the Forecast period. Given no asset revaluation has been Forecast, no material change to deferred tax expense is assumed as a result.

9.8.4 Sensitivity analysis

As indicated in paragraph 9.8.2 above, the consolidated pro forma Forecast may not be met for a variety of reasons. A number of risks that could impact the Forecast results of the Merged Group are summarised in paragraphs 9.8.3 above and 10 below.

APG management have estimated the sensitivity of the Forecast pro forma financial information of the Merged Group to variations in a number of key assumptions. The changes in each of the variables have been calculated in isolation from changes in other variables over the full year. In practice, changes in variables may offset each other or may be incremental, and it is possible that the Merged Group would respond to any adverse change in one variable by taking action to minimise the net effect on the results of the Merged Group.

Set out below is a summary of the sensitivity analysis conducted. The impacts of the sensitivities below apply equally to both favourable and unfavourable movements in assumptions.

Table 64: Merged Group sensitivity analysis

	Pro forma Forecast FY2006 $'000
Pro forma Forecast consolidated net profit after tax	**55,663**
Impact of movement in interest rates of 0.25% pa on unhedged finance charges	66
Movement in operating expenses by 2.5%	170
Movement in non-management fee funds management income by 5%	261
Movement in development & investment income by 5%	194

Source: Explanatory Memorandum

In addition, included in Section 5 of the Explanatory Memorandum is a sensitivity analysis on the basis of assuming that APG or the Merged Group may undertake a capital raising to assist in the funding of acquisitions of investment property and other investment opportunities that may arise in the ordinary course of business activities.

The table below is extracted from Section 5 of the Explanatory Memorandum and sets out APG's comparison of certain financial outcomes assuming APG or the Merged Group undertook a capital raising of approximately $90 million. Under the ASX listing rules, APG may issue up to 15% of the current number of APG securities in any 12 month period without APG security-holder approval plus it may issue further APG securities under a Security Purchase Plan. For the purposes of the sensitivity analysis, the additional capital is assumed to earn at least the pro forma distribution rates of APG and the Merged Group for the year ending 30 June 2006 and accordingly assumes no net impact on Earnings per security or Distribution per security.

Table 65: Capital raising sensitivity analysis

	Current pro forma		with pro forma impact of $90 million additional capital	
	APG stand alone	Merged Group	APG stand alone	Merged Group
Net assets ($ million)[1]	453.1	551.8	541.6	640.3
Net asset backing per security ($)[1]	1.18	1.19	1.20	1.21
Net tangible assets per security ($) [1]	1.09	1.12	1.13	1.15
Gearing % [2]	23.6	30.5	20.7	27.5
Securities on issue (million) [1]	385.5	464.7	449.8	529.0

Note:

1. Assumes an additional 64.3 million securities issued at $1.40 each ($90 million equity capital raised)
2. Assumes equity capital raised is invested in other assets apart from cash for the purposes of calculating the net debt gearing ratio

Source: Explanatory Memorandum

Further details of the sensitivity analysis may be found in Section 5 of the Explanatory Memorandum.

9.8.5 Distribution policy

PKFCA has been advised that APG, ADIF and the Merged Group will seek to distribute, at a minimum, the net taxable income of each of AT and AIT and accordingly, under current tax arrangements, the trusts should not then be liable for income tax. In addition, distributions may include other amounts that the Directors determine should be taken into account, for example certain gains and losses and other items as considered appropriate.

It is noted that Security Holders in the Merged Group may receive distributions or dividends from any or each component of the stapled security i.e. from any or all of AT, AIT, AGHL and AGPL. It is the Directors intention that these combined distributions will be paid quarterly within two months of the end of each quarter.

Distributions payable to the Security Holders may also be adjusted for the impact of adoption of AIFRS. Under AIFRS, the income statement will now include a number of new items that previously may not have been taken into account for the purposes of determining distributions payable. Reported net profit after tax may be significantly impacted by future changes in the fair value of investment properties and movements in interest rates that may impact on the mark to market value of the Merged Group's financial derivative instruments and related treasury arrangements. As such, Security Holders should be aware that these items may introduce considerable volatility into the reported earnings of each of APG, ADIF and the Merged Group. In particular, the following items may significantly impact reported net profit after tax but are expected, as a general rule, to be adjusted for the purpose of determining the distribution payable to investors:

- unrealised changes in the fair value of investment properties (both increases and decreases) required to be reported in the Income Statement; and
- unrealised changes in the fair value of derivative financial instruments (both increases and decreases) required to be reported in the Income Statement where they do not satisfy the requirements for hedge accounting.

Distributions payable for the December 2005 and March 2006 quarters

As the effective date of the Proposed Merger is expected to be 1 April 2006, distributions payable by APG and ADIF for the quarters ended 31 December 2005 and 31 March 2006 to investors who hold securities on the respective "record dates" are expected to be paid in early February 2006 and May 2006, respectively.

Existing Security Holders in APG and ADIF are forecast to receive the following distributions:

Table 66: Forecast quarterly distribution distributions

Quarter ended	APG	ADIF
	Cents per security	
31 December 2005	2.900	2.3125
31 March 2006	3.000	2.3125

PKFCA notes that APG has announced an increase in the distribution per security payable to APG investors from 1 January 2006 to 3.0 cents per security for the quarter ending March 2006.

For the purposes of preparing the Merged Group Forecast pro forma income statement, distributions to investors in the Merged Group are forecast to be 11.80 cents per security i.e. 2.90 cents per security in respect of the quarters ended 30 September 2005 and 31 December 2005 and 3.0 cents per security for the quarters ended 31 March 2006 and 30 June 2006. PKFCA notes that if the Proposed Merger proceeds, distributions payable to investors in the Merged Group are forecast to be 12.0 cents per security (on an annualised basis).

Tax deferred distributions

Tax-deferred distributions from a trust primarily arise from property investments which attract building allowances and depreciation allowances for income tax purposes available to a trust, and additionally, any distribution of capital.

Tax deferred distributions are not assessable when received unless and until the total amount of tax-deferred distributions received by a unit holder exceeds the cost base of their units in the trust. For CGT purposes, amounts of tax-deferred distributions received reduce the cost base of a unit holder's units in the trust and therefore affect the unit holder's capital gain / loss on disposal of their units. Once a unit holder's cost base in the relevant units is exhausted, the tax-deferred component of distributions will give rise to an immediate capital gain and be taxable in the hands of the unit holder.

Income paid to APG investors may be made up of distributions from AT and dividends from AGHL. To date, all income payments have been distributions from AT.

Income paid to ADIF investors may be made up of distributions from AIT and dividends from AGPL. To date, all income payments have been distributions from AIT.

The proposed Stapling Distribution reduces the existing cost base of AT units & Restructured AIT units.

An objective of APG management is to ensure that the Stapling Distribution should not be greater than lowest cost base of AT unit holders and Restructured AIT unit holders, as CGT would be payable immediately by such unit holders in such circumstances.

Management's analysis indicates that the Proposed Merger achieves this objective.

The Stapling Distribution paid by AT to acquire Restructured AIT units sets the cost base of the Restructured AIT units and the Stapling Distribution paid by AIT to acquire AT units sets the cost base of the AT units. Future Tax Deferred Distributions will reduce the cost base of units in each trust over time.

9.9 Historical APG and ADIF consolidated statements of financial position and Pro forma Balance Sheet of Merged Group

The following table sets out:

- summarised pro forma consolidated Balance Sheets of each of APG and ADIF, compiled on an AIFRS basis, as at 30 June 2005. The consolidated Balance Sheets reflect, on a pro forma basis, the material events and transactions that have occurred since 30 June 2005 as summarised below. These pro forma Balance Sheets have been compiled as if the Proposed Merger had not been transacted; and
- a summarised pro forma consolidated Balance Sheet of the Merged Group, compiled on an AIFRS basis, as at 30 June 2005 (that is, the Pro forma Balance Sheet). The Pro forma Balance Sheet has been compiled as if the Merged Group had been merged at 30 June 2005 and reflects, on a pro forma basis, the material events and transactions that have occurred since 30 June 2005, as summarised below and merger adjustments summarised in Appendix 3.

Table 67: Pro forma Balance Sheet as at 30 June 2005

	Stand alone		Merged Group
	APG AIFRS $'000	ADIF AIFRS $'000	AIFRS $'000
Assets			
Cash	1,570	5,008	5,978
Investment properties	360,438	185,708	545,781
Property, Plant & Equipment	133	17,818	17,951
Equity accounted investments	13,763	1,500	15,263
Intangible assets (net)	32,394	1,154	33,548
Other financial assets	189,713	23,779	192,621
Other assets & receivables	19,264	5,861	24,478
Total assets	617,275	240,828	835,620
Liabilities			
Creditors & Accruals	5,528	4,106	9,449
Borrowings	147,383	133,998	260,510
Other liabilities	11,290	2,594	13,884
Total liabilities	164,201	140,698	283,843
Net assets	**453,074**	**100,130**	**551,777**
Equity			
Net contributed capital	405,175	97,139	502,046
Retained earnings	46,066	2,059	46,966
Outside equity interests	1,833	932	2,765
Total Equity	**453,074**	**100,130**	**551,777**
Net assets ($)			
Per standalone security [1]	1.18	0.99	-
Per Merged Group security [2]	-	-	1.19
Net tangible assets ($)			
Per standalone security [1]	1.09	0.98	-
Per Merged Group security [2]	-	-	1.12
Net debt gearing (%) [3]	**23.6%**	**53.6%**	**30.5%**

Note:

1. Based on pro forma 385.5 million APG securities and 101.5 million ADIF securities on issue.
2. Based on pro forma 464.7 million Merged Group securities on issue.
3. Calculated as gross borrowings less cash divided by total assets.

The Pro forma Balance Sheet set out above has been complied as if the effective date of the Proposed Merger had occurred on 30 June 2005 and comprises an aggregation of the audited balance sheets of APG and the entities composing ADIF as at 30 June 2005, adjusted for the accounting treatment of the transactions referred to below:

- inter-entity assets, liabilities and equity balances have been eliminated on consolidation, including:
  - mortgage investment funds advanced by APG to ADIF;
  - receivable/payable balances between the entities on inter-entity transactions arising from management fees, advisory fees, property management changes, performance and acquisition fees;

- acquisition fees capitalised into the cost of investment properties on acquisition in ADIF but returned as income in APG; and
- capital raising and advisory commissions taken directly to issue costs in ADIF but returned as income in APG.

- the effect of significant transactions which have occurred subsequent to 30 June 2005, including the following:

APG

- impact of the APG capital raising of a net amount of $53 million completed in August 2005 (an additional 42.6 million APG securities were issued);
- advancement of net funds to / (from) Abacus associated fund management vehicles ahead of retail equity capital raising ($39 million) and repayment of bank debt ($30 million);
- acquisition by APG of two additional investment properties ($8 million);
- net mortgage investment loans written ($5 million); and
- impact of adopting AIFRS 139 fair value of interest rate swap instruments increased borrowings and reduced retained earnings at 30 June 2005 by $5 million.

ADIF

- direct acquisition by ADIF of an investment property ($9 million) and acquisition by a 75% owned subsidiary of 4 investment properties ($17 million);
- raising of external debt funding for property acquisitions ($12 million);
- raising of internal debt funding from APG to assist in financing property acquisitions, net of repayments ($6 million);
- completion of the sales of a joint venture asset (Spotlight Plaza) and a commercial suite in Cairns and receipt of share of proceeds on sale ($2 million);
- receipt of proceeds of net repayment of mortgage investment loans ($9 million); and
- impact of adopting AIFRS 139 fair value of interest rate swap instruments increased borrowings and reduced retained earnings at 30 June 2005 by $1 million;

- a long term deferred tax liability of $0.1 million has been recorded in APG under AIFRS, principally recognising, for the first time, differences in book values and tax values of investment properties in AGHL. This deferred tax liability was previously not required to be recognised under AGAAP and is not expected to be realised or affect the distribution paid or payable;
- Forecast merger costs amounting to $0.6 million have been taken directly to issue costs in equity in the Pro forma Balance Sheet on the assumption that the Proposed Merger proceeds; and
- APG has entered into a Facility Agreement to provide up to $15.5 million in loan funds to ADIF to enable it to meet its obligations under a construction contract for a shopping centre in Bundaberg, Queensland over the next 12-18 months.

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9.9.1 AIFRS impact on key accounting policies

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS, including the estimated financial impacts on total equity as at transition date (30 June 2005) and on net profit for the year ending 30 June 2006:

- *classification of units in trusts*: In October 2005, the trust deeds of AT and AIT were amended regarding the life and distribution policy of the trusts, resulting in the reclassification of units from a liability to equity. These amendments result in net assets attributable to Security Holders being classified as equity and returns to Security Holders being disclosed as distributions payable at reporting date;
- *Investment properties:* Under AASB 140 *Investment Property*, the underlying interests in the investment properties are initially brought to account at cost plus acquisition costs. Subsequent to initial recognition, all investment properties will be recorded at fair value. Any change in the valuation of the investment properties will be recorded as an unrealised gain or loss in the income statement. Under AASB 140, investment properties, including any plant and equipment, are not subject to depreciation. Depreciation allowances in respect of certain buildings, plant and equipment are currently available to investors for taxation purposes;
- *Financial Instruments:* Under AASB 132 *Financial Instruments: Disclosure and Presentation* and 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. Loans and receivables originated by the entity and not held for trading will be accounted for at amortised cost using the effective interest method.

  APG and ADIF have, and the Merged Group will have derivative instruments in the form of interest rate swaps to hedge exposures to interest rate movements. Under AIFRS, all derivative financial instruments, whether used for hedging purposes or not, are required to be carried on the balance sheet at fair value. Gains or losses on changes in the fair value of derivative financial instruments must be recognised in the income statement except where they are accounted for as hedges. Under AIFRS, derivative contracts that do not qualify for hedge accounting will result in increased volatility in earnings, as changes in the fair value of these derivative contracts will be recognised in the Income Statement. In order to qualify for hedge accounting, strict requirements must be satisfied.

  At 30 June 2005 the APG interest rate swap agreements were valued at $4.9 million which will decrease retained earnings at 1 July 2005. At 30 June 2005 the ADIF interest rate swap agreements were valued at $1.2 million which will decrease retained earnings at 1 July 2005.

  There are no forecasts of movements in market values of derivatives as the Directors believe that there is no reasonable basis on which to make Forecasts in relation to future interest rates, or general market conditions and that these are matters outside their control. Accordingly, the Directors are unable to accurately quantify the impact of these unknown conditions on the Forecast financial information.

- *Revenue recognition:* Under AASB 118 *Revenue* the revenue recognition criteria in relation to the sale of goods include requirements that the entity has transferred to the buyer the significant risks and rewards of ownership of the goods and that the entity retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods. Any profit on sale of investment properties is currently recognised as income on exchange of an unconditional contract of sale. AASB 118 is likely to result in profit on sale of investment properties being recognised on settlement of sales.
- *Goodwill:* Under AASB 3 *Business Combinations*, goodwill will no longer be amortised annually but instead will be subject to impairment testing under AASB 136 *Impairment of Assets*.

10 RISKS

10.1 Introduction

The value of the assets, Forecast financial performance and distributions are not guaranteed by APG, ADIF, PKFCA or anyone else.

Security Holders should be aware that the future level of income and capital distributions and investors' total returns may be influenced by a number of factors, some or all of which are outside the control of the entities and PKFCA. Set out below are examples of some of these factors or risks. Further details of risk factors are set out in Section 4 of the Explanatory Memorandum.

10.2 General Risks

10.2.1 Economic conditions

The performance of an individual property or a property portfolio in general may be affected by local and broader economic conditions, including variables such as consumer spending, household creation, business investment, inflation, interest rate variations, taxation (including direct tax, stamp duty, land tax) and investment market performance generally.

The demand for property by both tenants and investors may be affected by the general economic conditions relevant to any individual property or a property portfolio in general.

10.2.2 Competition, socio-economic and demographic factors

The entry of competing properties into the market where the properties within the property portfolio of APG or ADIF are located may affect rental income. Similarly, changes to the socio-economic and demographic make-up of the locations in which the properties are situated may also affect the rental income.

10.2.3 Stock market risks

The price at which securities in APG or the Merged Group trade on the ASX may be determined by a range of factors including:

- changes in local and international stock markets;
- inflation;
- changes in interest rates
- general economic conditions;
- changes to the compilation of indices;
- changes in government, fiscal, monetary and regulatory polices; and
- changes in the supply of listed property investment vehicles' securities.

In future, one or more of these factors may cause APG or Expanded Stapled Securities to trade below current prices. In addition, the stock market can experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of APG or the Merged Group.

10.2.4 Taxation

Proposals to alter taxation laws are often considered by relevant governments and any changes could impact on the distributions from the entities and the value of the securities.

Investors should note that Australian (both federal and state government) tax laws are complex and are subject to change. The views and the Forecasts in this report are based on the understanding of the law current at the date of this report.

Taxation comments in this report are general in nature by necessity. They only apply to Australian residents and do not take in to consideration the characteristics of individual investors.

10.2.5 Insurance

While the entities have expressed confidence in their ability to arrange appropriate insurance for the risks associated with ownership of the properties, there is no certainty that such insurance will continue to be available or that the cost of insurance premiums will not change.

Further, while the entities arrange insurance with insurance companies believed to be reputable and solvent, there is no certainty that this will prove to be case should a future claim be made.

The above may affect the future earnings and capital values of the entities.

10.2.6 Property

Generally

The risks commonly associated with property investment and development, include fluctuations in the property market, government regulation and natural disasters, solvency of builders, opportunities for costs overruns on development projects and risks associated with achieving expected prices on disposal of investment and development properties.

Specific risks

Ensuring a diversity of properties assists to mitigate the effect of the following specific risks which may impact both on the underlying property value and also security-holders' distribution levels.

Property-specific risks include:

- levels and terms (e.g. rental) of occupancy;
- performance of APG as manager in a specific location;
- capital expenditure requirements;
- development and refurbishment risk;
- environmental or compliance issues;
- changes to government and planning regulations; and
- property destruction or damage.

10.2.7 Returns from investment

Returns from investment in real property depend largely upon the amount of rental income that can be generated from the property, the expenses incurred in operations, including the management and maintenance of the property, as well as changes in the market value of the property. Factors which may adversely impact these returns include:

- the overall conditions in the national and local economy, such as growth in gross domestic product, employment trends and the level of inflation and interest rates;
- local real estate conditions, such as the level of demand for, and supply of, retail, commercial and industrial space;
- the perception of prospective tenants of the attractiveness, practicality and convenience of rental space;
- changes in tenancy laws;
- external factors including major world events such as war, terrorist attacks or force majeure events; and
- unforeseen capital expenditure.

10.3 Specific Risks

10.3.1 Manager risk

The expertise of APG as manager of the entities in the sourcing, acquisition and ongoing management of the assets and funding arrangements is crucial to the success of the entities. APG is an experienced property investor, manager and developer listed on the Australian Stock Exchange. APG could be taken over or could be replaced as the manager of ADIF. A replacement manager may or may not have the same level of expertise.

10.3.2 Future acquisitions

APG and ADIF / the Merged Group intend to make further acquisitions. The rate at which the entities would grow will depend on market conditions and the availability of suitable acquisition opportunities. Future distributions may be affected by such actions.

10.3.3 Leasing terms and tenant defaults

The future financial performance of APG, ADIF and the Merged Group will depend, in part, on their ability to continue to lease existing retail, office, industrial and hotel space that is vacant or becomes vacant on expiry of leases, on economically favourable terms. In addition, the ability to lease new asset space in line with expected terms will impact on the financial performance.

10.3.4 Ability of major tenants to meet rental commitments

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

10.3.5 Mortgage lending

An investment in APG, ADIF and the Merged Group is/will be subject to the risks of property backed mortgage lending. Given security for mortgages is typically based on real property, many of the risks noted above affecting the value of underlying property security and ability of owners to generate expected returns and risks associated with development projects are applicable in relation to the risks of mortgage lending.

10.3.6 Funding

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

APG and ADIF access and the Merged Group will initially access and utilise the bank market for debt funding. Any downgrade of the bank credit assessment of APG, ADIF and the Merged Group may increase overall debt funding costs and adversely affect access to debt funding and the terms on which that funding is offered.

10.3.7 Finance risk

Gearing

Gearing enhances the potential for capital gain if the entities' properties increase in value. However, it may also increase any capital loss in the event that the value of the properties falls compared to an investment in a property investment vehicle that has no borrowings.

A lender has no obligation to roll over a loan at the end of the term. There is no guarantee that future loan funds may be obtained or be obtained at competitive interest rates at the time that borrowing facilities are to be refinanced.

Interest rates

The entities have either borrowed at fixed rates or hedged a significant proportion of their floating interest rate borrowings to fix the interest rates on the borrowing facilities for various terms. However, the entities have an exposure to movements in interest rates on the unhedged proportion of their borrowings and upon refinancing of maturing fixed rate loans and the expiry of hedging facilities. Generally, the above protections are against increases in interest rates. Of course, if interest rates fall after entering into such arrangements, the relevant entities would suffer an opportunity loss.

10.3.8 Land values

Events may occur from time to time that affect the value of land or development costs which may then impact the financial returns generated from particular property related investments, businesses or projects; for example, unanticipated environmental issues.

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11 VALUATION OF APG

11.1 Overview of methodology

Set out in Appendix 2 is a summary of the various methods PKFCA has considered in the course of arriving at our valuation conclusions for APG. Our assessment of the appropriate methods applicable to the valuation of APG is set out below.

11.2 Approach

PKFCA has valued the APG by the net realisable value method of valuation. This approach is necessitated by the different characteristics and risk and return profiles of each of APG's major businesses/assets, comprising:

- the APG property investment business (**"APG Property Portfolio"**);
- the APG mortgage lending business (**"APG Mortgages"**);
- the APG funds management, property development and financing business (**"AFM"**); and
- other APG assets.

For the purposes of this report, we have assessed the value of a security in APG on a minority interest basis.

Once the value of each component of APG's assets has been determined, the value of interest bearing debt is deducted to arrive at an equity value for APG. This equity value has then been divided by the total number of APG securities to arrive at value per APG security on a minority interest basis. The overall approach is to value APG as an entity on a going concern basis, with no deduction for sale or transaction costs.

PKFCA has considered the reasonableness of the APG value per security derived from the above by reference to the APG value per security observed from recent ASX trading in APG securities.

Our approach to valuing each of the major assets of APG is discussed below:

11.2.1 APG Property Portfolio

PKFCA has valued the APG Property Portfolio based on an assessment of market values of the properties held. PKFCA notes that recent independent valuations of most of the properties were prepared by registered property valuers. PKFCA has also considered the applicability and size of a "Portfolio Premium" on the basis that, in the current market, a value for a portfolio of assets is likely to be greater than the sum of the values of the individual assets. We have termed such a value a "**Portfolio Premium**". This is discussed further in paragraph 11.5 below.

11.2.2 AFM - funds management

PKFCA has valued AFM funds management by reference to the capitalisation of future maintainable earnings, as AFM has a demonstrated track record of earnings, which in our opinion is maintainable.

The value of AFM obtained has been cross checked by reference to the percentage of FUM paid for fund managers which is used in the industry as a benchmark for the value of funds management businesses.

11.2.3 APG Mortgages

We have also considered whether it is appropriate to allow some value for the mortgage portfolio, over and above the carrying values of the loans.

11.3 Valuation of APG Property Portfolio

11.3.1 Summary of property valuations

Set out below are the properties that comprise APG's Property Portfolio, together with market values of the individual properties based on independent property valuations:

Table 68: APG Property values

Property	Ownership interest %	Book Value as at 30 September 2005 $ million	Independent property valuation $ million	Independent property valuation date	PKFCA adopted value $ million
Ashfield Mall	100	98.94	99.3	30-Jun-05	99.30
Ashfield retail	100	7.85	6.9	30-Jun-05	7.85
Epping Office Park	100	44.00	44.0	30-Jun-05	44.00
Miller Street	100	38.67	38.6	30-Jun-05	38.67
Liverpool Plaza	100	33.20	32.6	30-Jun-05	33.20
Liverpool	100	7.58	7.3	05-Sep-05	7.58
Rydalmere	100	17.00	17.0	30-Jun-05	17.00
Glebe	100	12.56	12.5	Dec-03	12.56
Villawood Industrial Estate	100	8.16	7.5	Jan-02	8.16
Santos House	50	51.02	51.0	30-Jun-05	51.02
CSIRO	100	15.20	15.2	30-Jun-05	15.20
109 Pitt Street	100	17.60	19.0	30-Jun-05	19.00
Bankstown	100	4.90	4.9	30-Jun-05	4.90
Total		**356.7**	**355.8**		**358.44**

Source: APG

We note that with the exception of the Glebe and Villawood properties, the carrying values of all of the above properties are supported by recent independent property valuation reports. We have reviewed these independent property valuation reports – refer to paragraph 11.3.2 below.

Development approval has been granted to convert the Glebe building to 59 residential apartments and leases within the property are either short-term or contain development clauses. The Villawood property currently is undergoing repositioning. In relation to 109 Pitt Street, the 20 level office tower has been extensively refurbished and as the floor by floor refurbishment has been completed, the floors have been subdivided into strata units and progressively sold as office strata, with over 7,500 square metres sold to date and 3,800 square metres remaining to be sold progressively.

In relation to the Glebe, Villawood, and 109 Pitt Street properties, PKFCA has discussed with APG management the available sales information, sales opinions and/or other evidence to support the book values of the properties and on that basis has adopted the book values for the purposes of our valuation.

We also note that APG recently announced that it has entered into a contract to purchase the Novotel Twin Waters Resort on Queensland's Sunshine Coast for $58 million. The settlement is conditional on a development application approval, which is due to occur within FY2007. We understand that the property will be the foundation asset of a proposed new hotel trust, and as such will not remain owned by APG, but by the proposed new trust, which will be managed by AFM. Accordingly, we have excluded this asset from consideration in relation to APG.

11.3.2 Review of property valuations

PKFCA has reviewed the property valuations in order to assess whether or not PKFCA may rely on them for the purposes of its valuation assessment. Based on PKFCA's review, we have concluded the following based on declarations contained in the various reports:

- the property valuations were prepared by independent valuers;
- the property valuers were adequately qualified and experienced professionals;
- the valuation methods used were appropriate for the type of property being valued and given the information available;
- sufficient market evidence was obtained in forming any opinions; and
- the assumptions used appear reasonable for arriving at the property values.

11.4 Value of individual assets within the APG Property Portfolio

Based on the above, we conclude that the book value of the individual properties and assets with the APG Property Portfolio are reflective of their market values on a stand alone basis.

11.5 APG Property Portfolio – portfolio premium

As noted above, the collection of individual assets into a portfolio may create a value for the portfolio that is greater than the sum of the values of the individual assets. We have termed such a value a "**Portfolio Premium**". The following factors have been taken into consideration in assessing if a Portfolio Premium may be justified in relation to the APG Property Portfolio and if so, the magnitude of the same:

- market evidence of the fact that most externally managed LPTs trade at premiums to their NTA values;
- alternatives/ opportunity costs:
  - the difficulty of purchasing sufficiently attractive yielding quality property assets in the current property investment markets;
  - the costs of acquiring a comparable portfolio of direct property investments, in particular substantial search and acquisition costs such as stamp duty;
- diversification/ synergy benefits:
  - the diversification benefits that the portfolio provides in terms of tenant diversification, tenant lease expiry, property asset exposure and property location; and
  - the ability to enhance the equity investment in the portfolio by attracting cheaper debt capital funding to fund a large portfolio of assets as opposed to funding individual assets.

Based on the above we consider a Portfolio Premium in the range of 5% to 7.5% as appropriate for the APG Property Portfolio.

Set out below is our valuation of the APG Property Portfolio:

Table 69: Valuation of the APG Property Portfolio based on book values as at 30 September 2005

	Adopted values Low $ million	Adopted values High $ millions
Sum of values of assets comprising the APG Property Portfolio	357.6	357.6
Portfolio Premium	5.0%	7.5%
APG Property Portfolio	**375.5**	**384.5**

From the above table we have valued the APG Property Portfolio at a range of $375.5 million to $384.5 million.

11.6 Valuation of AFM

11.6.1 Capitalisation of future maintainable earnings method

In adopting the capitalisation of future maintainable earnings method to value AFM, PKFCA has given consideration to the determining the following:

- an estimate of future maintainable earnings; and
- an appropriate earnings capitalisation multiple.

Set out below are the key parameters and our considerations with respect to each.

11.6.2 Future maintainable earnings

Future maintainable earnings (**"FME"**) is the assessed level of sustainable earnings, in real terms, that can be expected to be derived by the existing operations of the business regardless of short term economic fluctuations and excludes any one off profits or losses.

In our opinion, the appropriate earnings to adopt in valuing most businesses and companies is EBITDA as it most accurately reflects the return generated by the business and ignores factors that may not be relevant to the actual earning capacity of the business such as the following:

- interest costs that reflect the method of financing the business and vary between businesses;
- effective tax rates that reflect both the tax regimes in different countries and different tax positions of, and tax planning measures implemented by, businesses;
- historical costs of fixed assets at the time of their acquisition and different accounting policies, will affect annual depreciation charges; and
- amortisation charges of intangible assets, especially goodwill, discriminate against companies that have accomplished business growth by acquisition of other companies as opposed to those that have organically grown their businesses.

Our estimate of the future maintainable earnings of AFM has been determined after a review of:

- the historical financial performance of AFM for the period from 30 June 2003 to 30 June 2005, which demonstrates a track record of increasing earnings, in part based on growing FUM;
- analysis of various aspects of the strengths, weaknesses, opportunities and threats of AFM and a review of its competitive strategy;
- the overall trend of increasing funds under management;
- the Forecast financial performance of AFM and the assumptions behind those Forecasts;
- the level of recurring income inherent in the AFM Forecasts;
- the effect of changes in industry, regulatory or economic conditions which may impact on sustainability of earnings; and
- an allocation of operating costs of APG to the AFM activities.

Based on the above, PKFCA has estimated the maintainable annual EBITDA of AFM to be $14.5 million. PKFCA has selected this figure as it is based on the current and forecast earnings of AFM which are the best indication of AFM's earnings capability. Moreover, in our opinion there are various factors which will support continued medium to longer term growth in earnings, the primary of these factors being:

- the existing pipeline of property syndicates;

- the relationship with a network of financial planners which has assisted the creation of new property funds and property related income;
- a track record of successful syndicates under the Abacus brand; and
- the credit enhancement business offers a unique product to the market place which has a high acceptance rate and a track record.

PKFCA has incorporated into the selected earnings multiple an allowance for the growth prospects of AFM.

11.6.3 Earnings multiple

PKFCA has estimated the appropriate earnings multiple (reflecting a minority interest status) with regard to:

- share market prices of listed companies carrying on funds management business as their primary activity;
- prices achieved in mergers and acquisitions of comparable companies; and
- company specific factors relating to AFM.

In selecting appropriate comparable companies, PKFCA had regard to listed companies that operate in the funds management industry. General comments with respect to the operations of the identified companies are set out in Appendix 6, stock market trading valuation parameters are set out in Appendix 7 and mergers and acquisitions valuation parameters are set out in Appendix 8.

A material proportion of AFM's earnings are derived from activities which expose AFM to residential property development risks. As such, PKFCA has also reviewed listed companies which operate in this industry. General comments with respect to the operations of the identified companies are set out in Appendix 9 and stock market trading valuation parameters are set out in Appendix 10.

In regard to these latter companies:

- the larger diversified developers:
  - have involvement in development projects much larger than AFM; and/or
  - have a more diversified development portfolio: or
- the other developers are boutique players which do not have as diversified a development portfolio and opportunities as AFM.

Based on the above, PKFCA has referred to, but placed limited reliance on, multiples of companies in the property development industry.

Share market prices

Details of the historical EBITDA multiples for the comparable companies that operate in the funds management industry are set out in Appendix 7.

A listed company's current share price generally reflects expected future earnings rather than past earnings. However, past earnings are used as an indicator of future earning capability. It is therefore appropriate to select multiples based on forecast earnings for the purpose of capitalising earnings. However, given the lack of forecast material available on some of the companies selected for review, historical multiples have been taken into consideration for the purposes of selecting an appropriate capitalisation rate.

Our selection of companies that may be comparable with AFM has produced a range of historical EBITDA multiples of between 10.0 and 38.6 times, with an average historical multiple of 17.5 times historical EBITDA. Whilst there are some key differences between AFM and the identified companies, the analysis provides an indicative range of multiples that may be regarded as relevant for the purpose of valuing AFM.

The capitalisation rate should reflect the growth prospects of the business, the quality of its earnings and the risks of the business. In order to ascertain the appropriate multiple range to apply to APG, PKFCA has undertaken a limited review of the characteristics of the companies we consider most comparable to AFM:

In this regard, we note that in relation to the companies listed in Appendix 7:

- APN and WRF are considered least comparable due to their size and scale and FUM as compared to AFM;
- Hunter Hall and Australian Ethical investment are listed fund managers, however unlike AFM, they do not have any material property exposures;
- MacArthur Cook is not considered comparable as prior to the last financial year it had no earnings for four years;
- OFM has the most similar amount of FUM, however it has not had the same growth profile as AFM. Further, less than 40% of its FUM is comprised of property and mortgage assets; and
- in our opinion the most comparable company is Cromwell Corporation which, like AFM, has demonstrated an increase in FUM, sales and earnings. The historical EBITDA multiple of Cromwell Corporation is 13.9 times.

Based on our analysis of the selected companies, we are of the opinion that the appropriate starting historical EBITDA multiple applicable to AFM is in the vicinity of 14.0 times. This multiple reflects the historical EBITDA trading multiple of Cromwell Corporation.

Merger and acquisition multiples

PKFCA has reviewed a number of transactions in the Australian market concerning acquisitions of businesses operating in the funds management industry. The transactions considered are contained in Appendix 8.

We note that the transactions may not be completely comparable for various reasons including:

- transactions may not be motivated by a purchase only of management rights but reflect other commercial considerations at the time of the transaction, such as the need to internalize management and re-brand (e.g. the Investa and Ronin Property Trust transactions); and
- not all FUM is of uniform quality, with the underlying assets having different growth, risk and liquidity characteristics.

Notwithstanding the above, we considered the earnings multiples of the most recent internalisations of fund management companies, where the fund manager displayed similar characteristics to AFM, most notably:

- the internalisation of Charter Hall in May 2005, in relation to which the independent expert valued Charter Hall at a forecast EBITDA multiple of 6.6 to 7.0 times;
- the internalisation of Macquarie Goodman Management in December 2004, in relation to which the independent expert valued Macquarie Goodman Management at a forecast EBITDA multiple of 15.0 to 17.9 times; and
- the internalisation of Westfield Holdings in May 2004, in relation to which the independent expert valued Westfield Holdings at an historical EBITDA multiple of 28.2 to 32.8 times.

In the case of Macquarie Goodman and Westfield Holdings, the above EBITDA multiples reflect large premiums paid for fund management companies with a strong brand, demonstrated track record and growth profile. Whilst we believe that AFM shares some of these characteristics, in our opinion it is unlikely that such multiples would be paid for AFM given its much smaller scale.

As will be noted from Appendix 8, our analysis of the Charter Hall transaction indicates a forecast multiple of 6.6 to 7.0 times. We note that the internalisation of Charter Hall was part of a set of transactions which resulted in the Charter Hall Group (a stapled security property investment group) being listed on the ASX by way of an initial public offering **("IPO")** in June 2005. Thus, investors in the Charter Hall Group were acquiring minority interests in the Charter Hall Group, including Charter Hall. Since the IPO, the securities of Charter Hall Group have risen materially and as such, the value of Charter Hall (the funds manager) may have risen in concert with the rise in value of the Charter Hall Group. Should this be the case, a higher multiple than 6.6 to 7.0 times would now be applicable in respect of Charter Hall.

Multiple applicable to AFM

The following adjustments to the starting historical EBITDA multiple of 14.0 times (based on share market prices of listed companies) has been made so as to incorporate company specific factors and evidence derived from merger and acquisition multiples:

- *a discount to reflect a multiple on maintainable rather than historical earnings*: We are of the opinion that the historical multiples observed from the share market prices of listed companies reflect a significant premium paid for anticipated higher forecast earnings. As such, the multiple on maintainable earnings would be lower than multiples on historical earnings, and we have made an adjustment for this;
- *demonstrated player in niche markets:* AFM has established itself as a niche player in several markets - by way of example AFM, with the possible exception of Macquarie Bank, is the only arranger of renounceable sales contracts for property in Australia. A small premium has been allowed for this factor;
- *growth opportunities for the business*: A company which is expected to grow more strongly will tend to have a higher earnings multiple for a given level of earnings than one which is expected to experience slower growth. A premium has been allowed for AFM's potential to grow faster than the listed companies;
- *quality of earnings*: AFM demonstrates a longer history of consistent positive earnings and earnings growth than the selected listed companies. As such, a premium has been allowed for this factor;
- *comparative market position*: AFM has a reasonable position in its market, with a strong financial planning network and a solid track record. In our opinion, this necessitates a small premium; and
- *the quality and the stability of the management team*: the AFM business has a stable and strong management team with a clear focus on the business and the ability to grow the business at a sustainable pace, and a premium has been added for this factor.

Based on the above, PKFCA has arrived at an adjusted multiple range of 8.5 to 9.0 times. In our opinion this multiple reflects the:

- multiple to apply to the maintainable earnings, rather than the historical earnings of AFM;
- the historical and forecast financial performance of AFM;
- the growth profile and strategy of AFM, having regard to the level of growth included in the Forecasts;
- risks associated with AFM;
- the quality of management; and
- the outlook for the industry.

It is noted that the above multiple is higher than the Charter Hall acquisition. However, based on the above factors, it is our opinion that a premium over the Charter Hall transaction multiple is justified.

11.6.4 Valuation conclusion - AFM

PKFCA's value of AFM on a minority value basis derived from the capitalisation of future maintainable earnings is summarised in the following table:

Table 70: AFM valuation calculation

	Para Ref	Low Value $ million	High Value $ million
Maintainable earnings	11.6.2	14.5	14.5
Earnings multiple times	11.6.3	8.5	9.0
Enterprise value		**123.3**	**130.5**

Source: PKFCA calculations

Based on the above, PKFCA has assessed the enterprise value of AFM to be in the range of $123.3 million to $130.5 million.

11.7 Funds under management valuation cross check

To crosscheck our valuation of AFM set out in paragraph 11.6.4 above, PKFCA has considered the value as a percentage of FUM and has compared this percentage to those implied by the transactions detailed below. Our valuation of AFM implies a percentage of FUM ($1,015 million, including APG funds) of between 12.1% to 12.9% (that is, 123.3 million/1,015 million multiplied by 100 or 130.5 million/1,015 million multiplied by 100).

Table 71: FUM of other companies

Company	Enterprise value $ million	FUM $ '000 million	Enterprise value as % of FUM
APN	256.8	1.90	13.5%
OFM Investment Group Limited	149.8	1.08	13.9%
Cromwell Corporation Limited	65.3	0.73	8.9%
MacarthurCook Limited	30.9	0.61	5.1%
WRF Securities	23.7	0.26	9.0%
Hunter Hall	149.0	1.33	11.2%
Australian Ethical Investments	21.8	0.31	7.0%

Source: Bloomberg, annual reports and ASX announcements

We note that the calculated AFM percentage of FUM range is lower than the top two in the above table and higher than the remaining listed companies. In our opinion the calculated AFM percentage of FUM range is justified based on AFM's size of FUM, longer and more consistent track record of earnings, its position in several markets as a niche player and the fact that a significant proportion of its earnings are generated by property development activities.

11.8 Valuation of mortgage lending portfolio

We note that the carrying value of the mortgage portfolio as at 30 June 2005 was recently audited and no adjustment was made to the carrying values as at that date as a result of the audit. We also note that the mortgage portfolio as at 30 September 2005 differs somewhat to the portfolio as at 30 June 2005. We have reviewed, on sample basis, the mortgage portfolio as at 30 September 2005. Our review leads us to conclude that for present purposes, it is appropriate to adopt the carrying value of the mortgage portfolio assets as at 30 September 2005 as the value of the gross assets of the portfolio.

We have also considered whether it is appropriate to allow some value for the mortgage portfolio, over and above the carrying values of the loans. The mortgage portfolio produces higher returns than real property rental, albeit with a different risk profile to the Property Portfolio and accrual of some income until repayment of the loan, thus resulting in a deferral of cash flow in respect of the accrued income. However, the higher returns supplement the income distributions to APG Security Holders.

Given that AFM manages the mortgage portfolio of APG and ADIF, the skills required to operate the mortgage portfolio are inherent in APG. We believe that the mortgage portfolio could be sold to a third party. The issue is whether a third party would be prepared to pay more than the book value of the loans in view of the higher, albeit, more risky, return.

We considered various levels of gearing (interest bearing debt and equity) that may be appropriate for APG to adopt to fund the mortgage portfolio business. These ranged from the level of gearing of APG as a whole as at 30 June 2005, when APG was geared at approximately 30%:70% (interest-bearing debt: total assets) and up to an assumed gearing level of 100% debt and no equity, which is an extreme case (and which we believe would not be commercial). We also considered a range of costs of debt and equity. The average borrowing cost of APG as at 30 June 2005 was approximately 7.0% to 7.2% pa (pre-tax) and is forecast at approximately 7.0% pa (pre-tax) for FY2006. We also considered a range of costs of equity, (expressed as after tax capitalisation rates of between 12.5% pa to 7.1% pa, which we believe adequately covers the likely possible range of capitalisation rates that may be applicable to the business.

On the basis of our analysis, we believe that it is reasonable to conclude that the mortgage portfolio should be valued at no more than its carrying value. This conclusion arises from the fact that in no circumstances other than a very high level of gearing, (which we believe would not be commercial), does the risk adjusted return on the assumed level of equity required to fund the business equal the return assumed to be generated from the mortgage portfolio.

Our view is that there should be no premium to the carrying value of the portfolio. We believe that this view is supported by the following:

- APG's position in the marketplace relative to its other competitors;
- the market competition for borrowers;
- the overall risk profile of mezzanine mortgage lending as compared with more conservative first mortgage lending;
- the relatively small number of borrowers and the relatively larger size of the loans; and
- we note that the book value of the mortgage portfolio of approximately $172 million effectively represents an implied EBITDA multiple of approximately 11.7 times the Forecast FY2006 pre-interest and pre-tax earnings from the mortgage portfolio (of $14.7 million, after allowing for allocation of APG operating overhead costs).

11.9 Other assets and liabilities

Interest rate swaps

APG manages interest rate exposure on bank debt facilities through the use of interest rate swap contracts. At 30 June 2005, approximately $152 million of interest-bearing commitments were hedged.

We have been advised by AFM that the market value of APG interest rate swaps as at 30 June 2005 was a negative amount (i.e. an increase in the liability above the principal amount recorded in the financial statements as at that date) of $4.87 million, based on market prices obtained from the banks providing the swaps. As at 30 September 2005, the market value of APG interest rate swaps was a liability of $4.23 million. These values were not recorded in the financial statements of APG as at 30 June 2005. We have deducted this amount from the assessed value of APG as at 30 September 2005.

Income tax losses

AGHL's future tax benefits arising from tax losses (income in nature) as at 30 June 2005 totalled $614,000. This amount was recorded in the statement of financial performance as a non-current asset.

In view of the fact that the future income tax benefits were recorded in the financial statements, the uncertainty surrounding the timing of the recovery of any value of the income tax losses, and their relatively immaterial size, we believe that it is appropriate to take into account the book value of the future tax benefits.

In relation to the other assets and liabilities we have adopted their carrying values per the APG balance sheet as at 30 September 2005.

11.10 Assessed valued of APG securities – minority interest basis

Based on the above we have valued the fair market value of an APG security on a minority interest basis as summarised below:

Table 72: Assessed value of an APG security on a minority interest basis

as at 30 September 2005	Book Value $ million	Assessed values Low $ million	Assessed values High $ million
Assets			
Property investments	357.6	375.5	384.5
Mortgage business	174.9	174.9	174.9
AFM	62.9	123.3	130.5
Other	25.0	25.0	25.0
Total Assets	**620.4**	**698.7**	**714.9**
Liabilities			
Total Liabilities	164.6	164.6	164.6
Swaps	4.2	4.2	4.2
Net Assets	**451.6**	**529.9**	**546.1**
Number of securities	385,471,659	385,471,659	385,471,659
NA per share/Assessed value per share	**$1.17**	**$1.37**	**1.42**

Note: An allocation of the book value of assets and liabilities of APG as at 30 September 2005 to APG's major businesses/assets is contained in Appendix 4.

Source: PKFCA analysis

On the basis of the above analysis, we have assessed a value per APG security on a minority interest basis of between $1.37 and $1.42.

11.11 Share Market Trading

PKFCA also has considered the value of APG securities by reference to recent market trading.

The price at which an entity's securities trade on the ASX is an appropriate basis for valuation (on a minority interest basis) where:

- the securities trade in an efficient market place where willing buyers and sellers readily trade the securities on an informed basis; and
- the market for the entity's securities is active and liquid.

In order to assess the reliability of the traded market price of APG's securities as a basis for determining the fair market value of the securities, PKFCA considered:

- the degree of concentration of holders;
- the liquidity of the securities, that is the level of trading activity as a percentage of the total quoted securities, and the frequency of the trades;
- the frequency of 'unusual' and/or 'abnormal' trading;
- the presence of any factors that may indicate that trading in the securities is the result of significant speculative trading; and
- the level of knowledge that the buyers and sellers have in respect of APG and the market in which it operates.

PKFCA has reviewed the following factors relating to the trading activity of APG's securities on the ASX:

- the daily high, low and closing prices;
- the daily volume; and
- the volume weighted average price (**"VWAP"**).

The table below indicates the improving liquidity in APG securities.

Table 73: Liquidity in APG securities

For the year ended 30 June	2005	2004	2003
Average buy/sell spread	0.90%	1.10%	1.10%
Annual turnover	19.50%	17.50%	14.30%

Source: Bloomberg

The table below summarises recent daily trading in APG securities:

Table 74: Trading in APG securities

Measure	Start date	End date	VWAP $	Simple average security price $
Closing price	28-Oct-05	28-Oct-05	1.400	
VWAP 1 month	28-Sep-05	28-Oct-05	1.396	1.397
VWAP 2 month	28-Aug-05	28-Oct-05	1.393	1.392
VWAP 3 month	28-Jul-05	28-Oct-05	1.375	1.379

Source: Bloomberg

Based on the above, we have concluded that APG's securities are sufficiently liquid for the purposes of relying on the market trading price of the securities as a reasonable estimate of the value of APG securities on a minority interest basis.

PKFCA has adopted $1.40 as the value on a minority interest basis of one APG security, which represents the closing price and the 30 day VWAP in the above table.

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11.12 Recent capital raisings

We have considered the recent capital raising of 42.6 million securities at $1.29 each announced on 22 June 2005 and completed on 10 August 2005. In our opinion, this price is not reflective of the current market value of APG as it reflects:

- a discount to the then market price to encourage a material subscription for APG securities; and
- the pricing of APG several months ago, which does not take into account the most up to date information and current market conditions.

12 VALUATION OF ADIF

12.1 Overview of methodology

Set out in Appendix 2 is a summary of the various methods PKFCA has considered in the course of arriving at our valuation conclusions for ADIF. Our assessment of the valuation methods applicable for the valuation of ADIF is set out below.

12.2 Approach

PKFCA has valued the ADIF by the net realisable value method of valuation. This approach is necessitated by the different characteristics and risk/return profiles of AIDF's major businesses/assets, comprising:

- the ADIF property investments (**"ADIF Property Portfolio"**);
- the ADIF mortgage lending business (**"ADIF Mortgages"**); and
- other ADIF assets.

PKFCA has deducted the value of interest bearing debt from the aggregate value of each component of ADIF's assets, to arrive at an equity value for ADIF. This equity value has then been divided by the total number of ADIF issued securities to arrive at value per ADIF security. Given that the overall approach is to value the entity as a going concern, no deduction for sale or transactional costs has been undertaken.

In view of the fact that if the Proposed Merger is implemented, ADIF Security Holders will give up collective control of ADIF, we have incorporated in our valuation a control premium in order to arrive at value per ADIF security on a control basis. The resulting valuation has been compared with recent transactions involving the takeovers of externally managed LPTs in terms of premium to market capitalisation and premium to NTA.

Our approach to valuing each of the major assets in ADIF is discussed below.

12.2.1 ADIF Property Portfolio

PKFCA has valued the ADIF Property Portfolio based on an assessment of market values of the properties held. PKFCA notes that recent independent valuations of the properties were prepared by registered property valuers. Similar to the valuation of the APG Property Portfolio, we have also considered the applicability and size of a Portfolio Premium.

12.2.2 ADIF Mortgages

We have considered whether it is appropriate to allow some value for the ADIF Mortgages, over and above the carrying values of the loans.

12.3 Valuation of ADIF Property Portfolio

12.3.1 Summary of property valuations

Set out below are the properties and assets which comprise the AIDF Property Portfolio, together with, where available, market values of the individual properties based on recent independent property valuations:

Table 75: ADIF Property Portfolio valuations

			Independent valuation			
Property/ Asset	Interest %	Book value of ADIF share as at 30 Sep 05 $ million	JV property Value of 100% interest $ million	JV property Value of AIT interest $ million	Non JV property $ million	Independent valuation Date
Abacus Income Trust						
Lennons Plaza	100	34.18			34.15	30-Jun-05
Rydges Esplanade Resort	75	16.88	22.50	16.88		30-Jun-05
Kings Park	100	15.80			15.80	30-Jun-05
Noble Park	100	18.10			18.10	30-Jun-05
Dingley	100	12.60			12.60	30-Jun-05
Stafford	100	5.10			5.10	09-Jun-05
Pinkenba 1	100	3.30			3.30	30-Jun-05
Pinkenba 2	100	3.00			3.00	30-Jun-05
Pitt St Car park	100	13.05			13.05	30-Jun-05
Wollongong [1]	98.4	11.00	11.00	10.82		30-Jun-05
Chermside	100	4.60			4.60	30-Jun-05
Tamworth	100	11.42			11.40	30-Jun-05
Mertz Apartments	100	6.86			6.30	13-May-05
Campbellfield	100	8.82			8.45	09-Jun-05
Abacus Retail Property Trust[2]						
Castlemaine IGA	75	8.03	7.50			01-Jul-05
Gympie Market Place	75	7.35	7.35			30-Jun-05
Eaglehawk IGA	75	6.17	5.60			01-Jul-05
Cobar	75	1.24	1.24			30-Jun-05
St George	75	3.11	2.90			01-Sep-04
Bathurst[3]	75	3.48	3.25			02-May-05
North Bundaberg	75	5.68	5.20			11-Aug-05
Wangaratta[3]	75	3.00	3.00			21-Oct-05
Abacus Group Projects Limited						
Rydges Esplanade Resort, Cairns	75	1.12			1.25	30-Jun-05
Cronulla	50	1.50	3.00	1.50		04-Jun-03
Total properties		205.4				

Notes:

1. Wollongong

   AIT owns 98.4% of this property via an investment vehicle. Accordingly, 100% of the value is consolidated in the AIT accounts and a minority interest is separately deducted from equity.

2. Abacus Retail Property Trust (**"ARPT"**)

   AIT owns 100% of ARPT, which in turn owns 75% of Australian Independent Retail Property Trust (**"AIRPT"**), which is the investment vehicle that in turn owns the properties. Accordingly, 100% of the value is consolidated in the AIT accounts and a minority interest is separately deducted from equity.

3.	Bathurst & Wangaratta
	Values of $3.25 million and $3.0 million for Bathurst and Wangaratta, respectively, are based on a rental guarantee from IGA Distribution for the remaining term of the leases and a new lease of 15 years term and the 10 year option, respectively, in respect of the supermarket only. No guarantee is provided in respect of the remaining speciality shops.
4.	Expenditure capitalised to properties
	Expenditure capitalised to properties includes the cost of acquisition, capital and refurbishment additions, and during development includes financing charges and related professional fees incurred.
	General Note: The consolidated values include capital expenditures after the last valuation date, and in the case of North Bundaberg, capitalised interest
Source:	Management information

We note that with the exception of the Cronulla property, the carrying values of all of the above properties are supported by recent independent property valuation reports. We have reviewed these independent property valuation reports.

Where the carrying values exceed valuations, the differences are attributable to various acquisition costs, capitalised interest and/or capital expenditures.

In relation to Cronulla, we have reviewed a sales opinion and other evidence to support the book value of the property and on that basis have adopted the book value as an appropriate basis for the purposes of our valuation.

The management rights relate to the management of various apartments in a development adjoining the Rydges Esplanade Resort, Cairns, Queensland. These rights were independently valued at $1.55 million as at 30 June 2005 by Colliers International Consultancy and Valuation Pty Limited. The carrying values as at 30 June 2005 and 30 September 2005 and the value adopted for the purposes of this report are as follows:

Table 76: Values of ADIF management rights

	Carrying value 30 Jun-05 $'000	Carrying value 30 Sep-05 $'000	Adopted value 30 Sep-05 $'000
Management rights	1,154	1,124	1,124

Source: ADIF

Based on the above, we conclude that the book value of the individual properties and assets within the ADIF Property Portfolio are an appropriate basis for the purposes of our valuation.

We have considered the factors referred to in paragraph 11.5 above in assessing whether, and if so, the magnitude of, a Portfolio Premium may be justified in relation to the ADIF Property Portfolio. We believe that a Portfolio Premium would be applicable to ADIF's portfolio, and we have taken this into account when assessing the overall value of ADIF, inclusive of premium for control.

12.4 Valuation of ADIF Mortgages

We note that the carrying value of the mortgage portfolio as at 30 June 2005 was subject to audit and that there was no provision required to the carrying value of these assets. We also note that the mortgage portfolio 30 September 2005 differs from the portfolio as at 30 June 2005.

We have reviewed, on sample basis, the mortgage portfolio as at 30 September 2005. Our review leads us to conclude that for present purposes, it is appropriate to adopt the carrying value of the mortgage portfolio assets as the value of the gross assets of the portfolio.

The mortgage portfolio produces higher returns than investment property rental, albeit with increased risk and accrual of some income until repayment of some loans, thus resulting in a deferral of cash flow in respect of the accrued income. However, the higher returns supplement the income distributions to ADIF Security Holders.

We have also considered whether it is appropriate separately to allow some value for the mortgage portfolio, over and above the carrying values of the loans. Given that AFM manages the mortgage portfolio of ADIF, the skills required to operate the mortgage portfolio are inherent in APG. However, we consider that the mortgage portfolio could be sold to a third party. The issue is whether a third party would be prepared to pay more than the book value of the loans in view of the higher, albeit, more risky, return.

At 30 June 2005, ADIF's loan facilities from banks totalled $109.8 million. Additionally, facilities were available from APG and Metcash. Abacus Finance Pty Limited, a subsidiary of APG, made loans to AIT amounting to $14.6 million, including interest at 9.07% per annum at 30 June 2005. The Metcash loans provide special purpose funding for the AIRPT and not for ADIF Mortgages. Interest on these loans is 9% per annum. If AIRPT has insufficient earnings to pay interest on part of the Metcash loans, the interest is deferred (without itself earning interest) until sufficient funds are available.

The costs of borrowing to fund the mortgage portfolio are assumed to be equivalent to the interest costs on the loan funding provided to ADIF by APG, of 9.07% pa. However, the costs may be lower than this as it appears that cheaper bank financing is supporting some of the mortgage portfolio. The weighted average effective interest rate of ADIF bank loans as at 30 June 2005 was approximately 7.05% pa. However, the higher assumed cost of borrowing (of 9.07% pa) adopted in the analysis discussed below reflects that ADIF is dependent upon APG for management, the bank loans are secured over the investment properties of ADIF, and the loan from APG represents a large proportion of the funding of the mortgage portfolio.

We considered various levels of gearing (interest bearing debt and equity) that may be appropriate for ADIF to adopt to fund the mortgage portfolio business. These ranged from the level of gearing of ADIF as a whole as at 30 June 2005, when ADIF was geared at approximately 52%:48% (interest-bearing debt: total assets) and up to an assumed gearing level of 100% debt and no equity, which is an extreme case (and which we believe would not be commercial). We also considered a range of costs of debt and equity.

On the basis of our analysis, we believe that it is reasonable to conclude that the ADIF mortgage portfolio should be valued at no more than their carrying value. This conclusion arises from the fact that, other than at a very high level of gearing, (which we believe would not be commercial), the return assumed to be generated from the mortgage portfolio does not equal the risk adjusted required return on the assumed level of equity required to fund the portfolio.

We also consider that our view that no premium to the carrying value of the portfolio is appropriate is supported by the following:

- ADIF's position in the marketplace relative to its competitors;
- the market competition for borrowers;
- the overall risk profile of mezzanine mortgage lending as compared with more conservative first mortgage lending;
- the relative small number of borrowers and the relative larger size of the loans; and
- that ADIF is externally managed and does not have its own in-house mortgage lending expertise.

12.5 Other assets and liabilities

Valuation of projects and joint ventures

We also note that the carrying values of the projects and joint ventures portfolio as at 30 June 2005 were recently audited and no adjustment was made to the carrying values as at that date as a result of the audit. Again, as at 30 September 2005, the portfolio differs somewhat from that as at 30 June 2005, in that one of the two joint ventures (Spotlight) was realised at a profit in the quarter ended September 2005, leaving Bando Rd, Cronulla as the sole development joint venture of ADIF.

We have reviewed material in relation to the Bando Rd project and conclude that for present purposes, it is appropriate to allow a small premium (of approximately $180,000 after tax) over the carrying value of the project for the expected discounted (for risk and time value of money) after tax profits expected to be earned on the project in CY2006.

Interest rate swaps

ADIF manages interest rate exposure on bank debt facilities through the use of interest rate swap contracts. At 30 June 2005, approximately $85.8 million of interest-bearing commitments were hedged.

We have been advised by AFM that the market value of ADIF interest rate swaps as at 30 June 2005 was a negative amount (i.e. an increase in the liability above the principal amount recorded in the financial statements as at that date) of $1.21 million, based on market prices obtained from the banks providing the swaps. As at 30 September 2005, the market value of ADIF interest rate swaps was a liability of some $0.59 million. These values were not recorded in the financial statements of ADIF as at 30 June 2005. In our assessment of the value of ADIF we have deducted this latter amount from the assessed values of the assets of ADIF as at 30 September 2005.

Income tax losses

AGPL's tax losses (income in nature) as at 30 June 2005 comprised:

Table 77: ADIF tax losses

Entity	Tax losses $
AGPL	68,602
Abacus Matson Holdings (75% owned)	391,086
Total	**459,688**

Source: ADIF

The tax benefit attributable to the losses was not recorded in the financial statements of ADIF as at 30 June 2005 or 30 September 2005. In view of the uncertainty surrounding the recovery of any value of the income tax losses, and their relatively immaterial size, we believe that it is inappropriate to take into account any value for these.

We have adopted the carrying values of the remaining assets and liabilities on the ADIF balance sheet as at 30 September 2005.

12.5.1 Outside equity interests in ADIF

As at 30 June 2005 and 30 September 2005, the equity of ADIF was comprised as to 0.92% and 0.96% of outside equity interests:

Table 78: ADIF consolidated pro forma Balance Sheet – Equity interests

	Actual 30-Jun-05 AGAAP $'000	Actual 30-Sep-05 AIFRS $'000
Capital Subscribed	102,193	102,258
Issue Costs	(4,445)	(4,446)
Finance Costs	(609)	(676)
Revaluation Reserve	3,673	-
Retained Earnings	(373)	2,934
Outside Equity	932	980
Security Holders' Equity	**101,371**	**101,050**

Source: ADIF

For the purposes of the analysis set out in this report, given the relatively immaterial nature of the interests, we have ignored the impact of the outside equity interests and attributed the entire assessed value of the equity of ADIF to the ADIF Security Holders.

12.6 Assessed valued of an ADIF Security – control basis

In arriving at our valuation of an ADIF security, we have aggregated the sum of its assets and deducted all liabilities. In addition, we have added a premium for control to the value of the net assets thus assessed.

The following factors have been taken into consideration in assessing whether, and if so, the magnitude of a control premium that is appropriate to apply in valuing an ADIF security:

- market evidence – as indicated in Appendix 11, the average control premium implied from recent takeover offers of externally-managed LPTs, (that is, the average premium to NTA paid in the takeovers) was 21%. It is noted that much of the transactional information is some two years old. Given the increase in overall values of LPTs in the interim, it is possible that such a premium may have increased, depending upon the extent of the increase in the value of the net assets. Any increase needs to be balanced against the fact that ADIF is a smaller trust than those detailed in APPENDIX 11: and that it is not listed;
- alternatives/ opportunity costs - a LPT may choose to grow organically by arranging an equity raising and using the raised funds to purchase assets. However, this may be costly, as a discount to the market price usually has to be offered (to encourage subscription) and underwriting fees will be required to be paid. An alternative is for the LPT to take over another property trust (such as ADIF). In that case, under a scrip offer, equity raising costs may be reduced. As such, it is arguable that some compensation may be payable to ADIF (in the event of a takeover) for equity raising costs saved;
- control/ synergy benefits;
- the diversification benefits that the ADIF Property Portfolio may provide to an acquirer's existing property portfolio in terms of tenant diversification, tenant lease expiry profile, property asset exposure and property location;
- the ability to actively manage the capital deployment/ investment in a LPT's property portfolio; and
- relationships with joint venture partners such as Metcash and Storage King.

Based on the above, we consider that a control premium in vicinity of 7.5% to 10.0% is appropriate for ADIF. This would result in the following valuation:

Table 79: ADIF Summary of value

	Book Value $ million	Assessed values Low $ million	Assessed values High $ million
Assets			
Property Portfolio	202.10	202.10	202.10
Mortgages	24.59	24.59	24.59
Other	12.21	12.39	12.39
Total Assets	238.90	239.08	239.08
Liabilities			
Liabilities at book value	137.26	137.26	137.26
Swaps	0.59	0.59	0.59
Net Assets	**101.05**	**101.23**	**101.23**
Premium		7.5%	10.0%
Control value		**108.82**	**111.35**
Units on issue (period end)	101,543,783	101,543,783	101,543,783
NA per security ($) / assessed value per security (control basis)	**$1.00**	**$1.07**	**$1.10**

Based on the above we have assessed the fair market value of an ADIF security (including a premium for control) to be in the range of $1.07 to $1.10 per security, with a mid-point value of $1.08 per security.

13 VALUATION OF MERGED GROUP

13.1 Overview of methodology

Set out in Appendix 2 is a summary of the various valuation methods PKFCA has considered in the course of arriving at our valuation conclusions for the Merged Group. Our analysis of the valuation method applicable for the valuation of the Merged Group is set out below.

13.2 Approach

In our opinion, an aggregation of the individual values of APG and ADIF will not represent the Merged Group value. Our rationale is that this approach ignores the impact of synergies, costs and the changed risk/return characteristics of the APG and ADIF businesses and assets. On this basis, we have performed a valuation of the Merged Group using the net realisable value method of valuation. This approach is necessitated by the different characteristics and risk return profiles of the Merged Group's major businesses/assets, comprising:

- the Merged Group property investments (**"Merged Group Property Portfolio"**);
- the Merged Group mortgage loans (**"Merged Group Mortgages"**);
- the Merged Group funds management, property development and financing business (**"MGFM"**); and
- other Merged Group assets.

In order to perform the above analysis, we set out below the pro forma Merged Group balance sheet as at 30 September 2005:

Table 80: Balance sheets as at 30 September 2005

	ADIF $ million	APG $ million	Merged Group $ million
Assets			
Property investments	202.10	357.68	559.78
Mortgage business	24.59	174.92	179.53
AFM		62.85	64.49
Other	12.21	24.98	35.56
	238.90	620.44	839.36
Liabilities			
Liabilities at book value (including swaps)	137.85	168.84	286.71
Net Assets	**101.05**	**451.60**	**552.65**
Units on issue (period end)	101,543,783	385,471,659	464,675,810
NA per security ($)	**$99.5**	**$1.17**	**$1.19**

The above table summarises the key balance sheet items which comprise the Merged Group's major businesses/assets. This table forms the basis of our valuation of the Merged Group.

In order to arrive at the value of each Expanded Stapled Security, the equity value has been divided by the total number of the Merged Group securities. The resulting value per Expanded Stapled Security reflects a minority interest value. Given that the overall approach is to value the entity on a going concern basis, no deduction for sale or transaction costs has been effected.

We considered the reasonableness of the assessed value per Expanded Stapled by reference to the valuation parameters of peers to the Merged Group in the diversified LPT sector.

Our approach to valuing each of the major assets in the Merged Group is discussed below.

13.2.1 Merged Group Property Portfolio

Whilst the values of the individual assets comprising either the APG or ADIF Property Portfolios are unlikely to change after the Proposed Merger, we have considered whether a Portfolio Premium is appropriate, and if so, the size of the same, given the changed size and composition of assets that comprise the Merged Group Property Portfolio.

We have considered the factors referred to in paragraph 11.5 above in conjunction with the factors listed below, when assessing the level of Portfolio Premium likely to be attributable to the Merged Group Property Portfolio:

- the greater size of the Merged Group Property Portfolio compared to the individual APG and ADIF Property Portfolios; and
- the greater diversification of the Merged Group Property Portfolio over and above that of the individual APG and ADIF Property Portfolios and in particular:
  - in comparison to APG's Property Portfolio, the Merged Group Property Portfolio provides:
    - a smoothing and lengthening of the lease expiry profile;
    - a reduction in reliance on the top five tenants for property rental income;
    - exposure to the Queensland property market and economy, which is considered to be Australia's fasted growing State; and
    - exposure to different asset classes; and
  - in comparison to ADIF's Property Portfolio, the Merged Group Property Portfolio provides greater exposure to the office property market.

Set out below is a table of LPTs, together with selected financial statistics:

Table 81: Diversified LPTs – selected financial statistics

Trust	Market capitalisation $ million	Price $	FY06e DPS Yield %	FY06e EPS Yield %	Gearing %	NTA $	Market capitalisation Premium/ Discount to NTA %
Diversified sub index							
Stockland Trust Group	7,980.0	6.06	7.0	7.2	7.5	4.05	49.6
General Property Trust	7,683.7	3.81	6.9	6.9	34.8	3.03	25.7
Mirvac Group	3,287.1	3.85	8.1	8.1	38.0	3.26	18.1
DB RREEF Trust	3,664.7	1.33	8.6	8.5	39.9	1.29	2.7
Multiplex Group	2,032.5	3.34	6.1	6.5	32.5	3.03	10.2
Valad Property Group	726.1	1.35	7.8	7.9	39.0	0.89	51.7
Charter Hall Group	233.5	0.87	7.5	7.1	26.0	0.74	17.6
Average of all peers			7.4	7.5	34.0		25.1
Average of all under $1Bn market capitalisation			7.7	7.5	32.5		34.6

Note: Market capitalisations are quoted post free float adjustment. Vehicles not included in index market capitalisations are quoted unadjusted.

Source: Bloomberg

As will be seen from the above table, there is a wide range of premiums to NTA. We believe that one of the key factors contributing to the premium is the diversity of the properties of the above LPTs. Based on the above, we have considered a Portfolio Premium in the range of 7.5% to 10.0% as appropriate for the Merged Group Property Portfolio. This premium takes into account the following:

- the smaller size of the Merged Group, as compared to most of the above LPTs; and
- the premium to NTA as disclosed in Table 81 above. Given that we intend to apply the Portfolio Premium to value of the gross assets (before taking account of the effects of gearing), we have applied a discount to the same.

Having regard for the above, set out below is our valuation of the Merged Group Property Portfolio:

Table 82: Value of Merged Group Property Portfolio

	Assessed values Low	Assessed values High
Sum of individual values of assets comprising the Merged Group Property Portfolio	560.00	560.00
Portfolio Premium	7.5%	10.0%
Merged Group Property Portfolio	**602.00**	**616.00**

Source: PKFCA analysis

13.2.2 Merged Group Mortgages

We have previously assessed that there is no value for either the APG or ADIF Mortgages over and above the carrying values of the loans. In our opinion, under the Proposed Merger this is unlikely to change.

13.2.3 Valuation of AFM

We have also considered the impact on the value of AFM of being stapled to a larger property trust and the loss of ADIF as an externally managed property investment group (and the consequent reduction in fee income). It is our opinion that it is possible that any reduction in the value of AFM arising from the loss of the management of ADIF as an externally owned entity may be offset by the increased earnings that would be enjoyed by the Merged Group as a result of not having to pay a fee to an external manager.

However, implementing the Proposed Merger will result in AFM losing the profit element on all management fees earned from ADIF. Given the above, there is likely to be some diminution in the value of AFM following the Proposed Merger.

Having regard to the consequent reduction in external fee income to AFM arising from the Proposed Merger, for the purposes of this report, we have considered reducing the value of AFM by a range of values determined as pro rata to the reduction in the management fee income and alternatively, pro rata to the reduction in FUM resulting from the Proposed Merger.

We have reduced the value of AFM in the Merged Group so as to reflect the internalisation of management of ADIF. We have calculated the discount by reference to the following:

- total funds under management – the value of ADIF FUM is currently approximately \$227 million and this reflects approximately 22% of total AFM FUM of approximately \$1,015 million. However, the ADIF FUM represents a larger proportion of the externally managed FUM; and
- total income Forecast to be derived from ADIF in FY2006 is approximately \$1.9 million and this represents 13% of the total FY2006 Forecast income of AFM of \$14.5 million.

We note that the value of AFM has been determined by including in its earnings the projects and joint ventures income of APG, on the basis that AFM has the characteristics of a property investment bank. Therefore, we believe that the more relevant valuation parameter is by reference to earnings rather than FUM.

Based on the above, we have reduced the assessed value of AFM in the Merged Group by 10% to 12.5% for the purposes of allowing for the loss of income from ADIF arising from the Proposed Merger.

13.2.4 Valuation of projects and joint ventures

For the Merged Group we have adopted the uplift in value $180,000 over the book value of ADIF projects and joint ventures in relation to the Bando Rd project. ADIF projects and joint ventures are classified as Other assets in the Merged Group balance sheet. The value of APG projects and joint ventures is incorporated in the above value of AFM.

13.2.5 Interest rate swaps

We have aggregated the fair value of interest rate swaps for APG and ADIF and then deducted this liability from the assessed value of Merged Group gross assets. This results in a net liability of some $4.8 million.

13.3 Assessed value of the Merged Group

Based on the above we have valued the Merged Group securities on a minority interest basis as summarised below:

Table 83: Summary of Merged Group valuation

	ADIF Book Value $ million	APG Book Value $ million	Merged Group Book Value $ million	Merged Group Assessed Value Low $ million	Merged Group Assessed Value High $ million
Assets					
Property Portfolio	202.10	357.68	559.78	602.00	616.00
Mortgages	24.59	174.92	199.51	179.53	179.53
Other	12.21	24.98	37.19	35.74	35.74
AFM		62.85	62.85	110.93	114.19
	238.90	620.44	859.34	928.20	945.46
Liabilities					
Liabilities at book value	137.26	164.61	301.88	281.89	281.89
Swaps	0.59	4.23	4.82	4.82	4.82
Net Assets/ Assessed value	**101.05**	**451.60**	**552.64**	**641.49**	**658.75**
Units on issue (period end)	101,543,783	385,471,659	464,675,810	464,675,810	464,675,810
NA per security ($)	**$1.00**	**$1.18**	**$1.19**		
NTA	99.93	419.2	519.13		
NTA/security ($)	0.98	1.09	1.11		
Value per security ($)				**$1.38**	**$1.42**
Value: NTA premium/(discount)				24.7%	28.1%
Mid-point value per security				$1.40	
Mid-point value: NTA premium/(discount)				26.4%	

Source: PKFCA analysis

On the basis of the above, we have assessed a value of between $1.38 and $1.42, with a mid point value of $1.40 per Expanded Stapled Security (on a minority interest basis).

13.3.1 Share market valuation parameters – valuation crosscheck

We have crosschecked our assessed value per Expanded Stapled Security on a minority interest basis by reference to valuation parameters of peers to the Merged Group in the Diversified LPT sector.

We determined the Merged Group valuation parameters implied by our valuation, as set out below:

Table 84: Comparison of assessed value of Merged Group to other LPTs key statistics

	Merged Group	Merged Group valuation parameters
Forecast FY2006 Merged Group EPS (cents)	11.98	
Forecast 2006 Merged Group DPS (cents)	11.80	
Minority interest value of Merged Group security (mid-point)	$1.40	
Implied forecast earnings yield		8.5%
Implied forecast dividend yield		8.4%
Premium to NTA		26.1%

Source: PKFCA analysis

A comparison of the Merged Group valuation parameters with those of the peer group in the Diversified LPT sector (as set out in Table 81) is set out below:

Table 85: Comparison of the Merged Group valuation parameters

Diversified LPT Sub Index	FY06e DPS Yield %	FY06e EPS Yield %	Gearing %	Market capitalisation Premium/ Discount to NTA %
Average of all peers	7.4	7.5	34.0	25.1
Average of all peers under $1 Bn market capitalisation	7.7	7.5	32.5	34.6
Merged Group	8.4	8.5	31.5	26.1

Source: Bloomberg; PKFCA analysis

We note the Merged Group valuation parameters are broadly in line with its peer averages.

14 EVALUATION OF THE PROPOSED MERGER

14.1 Approach

In evaluating the Proposed Merger PKFCA has considered:

- an assessment of whether the proportion of the Merged Group received by each group of Security Holders is equitable, based on their relative contributions of value to the equity of the Merged Group;
- the likely impact for each group of Security Holders of the Proposed Merger on:
  - the earnings, distributions and asset backing per security;
  - gearing of the entities;
  - taxation positions,

  as compared to their likely respective positions if the Proposed Merger does not proceed;
- the likely market factors (such as price and liquidity) for securities in the Merged Group, as compared to the markets currently existing for securities in each of APG and ADIF;
- the existing legal structures, and management and control, of APG and ADIF and the effects of the Proposed Merger upon the same;
- the likelihood of alternative transactions that could realise better value, for either group of Security Holders;
- any other advantages and benefits and costs, disadvantages and risks arising from the Proposed Merger; and
- the implications for APG and ADIF Security Holders of rejecting the Proposed Merger.

14.2 Merger Ratio

We have evaluated the Merger Ratio by assessing if the value of the Expanded Stapled Securities in the Merged Group to be received by each group of Security Holders fairly compensates the value of Security Holders' existing interests.

14.2.1 APG Security Holders

If the Proposed Merger is implemented, based on the Merger Ratio for APG securities of 1:1, APG Security Holders will receive one Expanded Stapled Security in return for one APG security currently held. We have valued both the Expanded Stapled Security and the APG security on a minority interest basis

14.2.2 ADIF Security Holders

If the Proposed Merger is implemented, based on the Merger Ratio for ADIF securities of 1:0.78, ADIF Security Holders will receive one Expanded Stapled Security for 1.28 ADIF securities currently held (1.28 is calculated as 1 ÷ 0.78). We have valued the ADIF securities on a control basis, and the Expanded Stapled Security on a minority interest basis on the basis that ADIF Security Holders will relinquish their collective control of ADIF for a minority interest in the Merged Group.

Set out below are the results of our analysis:

Table 86: Analysis of Merger Ratio

Summary	ADIF Midpoint values	APG Midpoint values	Merged Group Midpoint values
Assessed values			
Assessed control value per stapled security	$1.08		
Assessed minority value per stapled security		1.40	1.40
Merger Ratio	0.78	1.00	
Consideration received per security held after the Proposed Merger			
ADIF - Minority value of Expanded Stapled Securities received in Merged Group (1.40 x 78%)	$1.09		
APG – Minority value of Expanded Stapled Securities received in Merged Group (1.40 x 100%)		1.40	
Difference	0.9%	0.0%	

Source: PKFCA analysis

We note from the above table that for:

APG Security Holders – as a result of the Proposed Merger, there is no material movement in the value of their securities. PKFCA believes that the Proposed Merger is beneficial overall after considering the improved growth platform of the Merged Group and other advantages of the Proposed Merger; and

ADIF Security Holders - the Merger Ratio fully compensates for the value of ADIF securities currently held, including a premium for the loss of collective control of ADIF that the ADIF Security Holders currently enjoy.

14.3 Other financial impacts of the Proposed Merger

14.3.1 Distribution policy

The tables set out below include certain historical and forecast distributions per security for APG, ADIF and the Merged Group. This information enables Security Holders to compare the distributions per security that they have received historically, and are forecast to receive assuming the Proposed Merger is not implemented, with their entitlement to Forecast pro forma earnings and distributions following the Proposed Merger.

The tables below compare:

- annual distributions per security, for APG and ADIF, for FY2004 and FY2005;
- Forecast FY2006 distributions per security for each of APG and ADIF; and
- Forecast pro forma FY2006 distributions per security for the Merged Group.

The FY2006 Forecasts reflect the forecast distributions to which the holder of one APG or one ADIF security will be entitled, based on the Proposed Merger being implemented on 1 April 2006 and those holders converting that one APG or ADIF security into the appropriate proportion of an Expanded Stapled Security at the Merger Ratio. Thus, one APG security will be entitled to the distribution on one Expanded Stapled Security and one ADIF security will be entitled to the distribution on 78% of one Expanded Stapled Security. The forecast distributions are based on the Forecasts set out in paragraph 9.8.1 above and the underlying assumptions set out in paragraph 9.8.3.

Table 87: APG Security Holders - distributions

	Pre Proposed Merger			Post Proposed Merger
	Historical		Forecast	Forecast
	FY2004 cents	FY2005 cents	FY2006 cents	FY2006 cents
Distribution per security	11.28	11.40	11.80	11.80
Taxable	100%	79.1%	85.9%	76.6%
Tax Deferred	0.0%	20.9%	14.1%	23.4%
% concessional capital gains	-	-	-	-

Reflects pro forma FY2006 Forecast distribution per security of $0.118 for the Merged Group converted at the Merger Ratio of 1:1 for APG Security Holders.

The Australian tax consequences of receiving a trust distribution with a tax deferred component depends in part on the cost base of investors in the underlying units forming part of the stapled securities, as described in the taxation report in Section 8 of the Explanatory Memorandum. APG Security Holders are strongly advised to read the tax report carefully to understand the Australian taxation implications of receiving a trust distribution with a tax deferred component.

Table 88: ADIF Security Holders - distributions

	Pre Proposed Merger			Post Proposed Merger
	Historical		Forecast	Forecast
APG	FY2004 cents	FY2005 cents	FY2006 cents	FY2006 cents
Distribution per security	9.00	9.25	9.25	9.20
Taxable	0.0%	14.5%	41.4%	76.6%
Tax Deferred	100%	67.2%	58.6%	23.4%
% concessional capital gains	-	9.0%	-	-

Reflects pro forma FY2006 Forecast distribution per security of 11.80 cents for the Merged Group converted at the Merger Ratio of 1 : 0.78 for ADIF Security Holders.

The Australian tax consequences of receiving a trust distribution with a tax deferred component depends in part on the cost base of investors in the underlying units forming part of the stapled securities, as described in the taxation report in Section 8 of the Explanatory Memorandum. ADIF Security Holders are strongly advised to read the tax report carefully to understand the Australian taxation implications of receiving a trust distribution with a tax deferred component.

The taxable component of the FY2005 distribution included capital gains (discounted by 50%) of approximately 0.85 cents per security arising from property disposals during the year. The tax advantaged component of the FY2005 distribution represents concessional capital gains of approximately 0.85 cents per security arising from property disposals during the year.

As will be seen from the above, there is unlikely to be any change in APG Security Holders' distributions, while the distributions to ADIF Security Holders are likely to be slightly diminished, on a pro forma basis. We do not believe that the amount is material having regard to the other features of the Proposed Merger and the potential benefits that would be available to ADIF Security Holders if the Proposed Merger proceeds.

We also note that the above calculations are based on pro forma Forecasts for FY2006 that include distributions on Expanded Stapled Securities in the Merged Group of 2.9 cents per security for the quarters ended 30 September 2005 and 31 December 2005 and 3.0 cents per security for the quarters ended 31 March 2006 and 30 June 2006. On the basis of an annualised distribution of 12 cents (3 cents x 4) per Expanded Stapled Security in the Merged Group, an ADIF Security Holder would receive an annual distribution of 9.36 cents (12 cents x 0.78) per security, which exceeds the FY2006 Forecast distribution per ADIF security of 9.25 cents.

In addition to the above, we have compared the Forecast EPS and distributions for APG and ADIF Security Holders, based on the Proposed Merger not being implemented versus proceeding. Set out below is our comparison:

Table 89: Impact on EPS – Proposed Merger not being implemented versus Proposed Merger being implemented

Forecast	FY2006 Proposed Merger is not implemented Cents	Pro-Forma FY2006 Assuming Proposed Merger is implemented Cents	Change Cents	Change %
APG	12.21	11.98	(0.23)	(1.9%)
ADIF	9.05	9.34	0.29	3.20%

Overall the Proposed Merger does not have any material impact upon EPS or distribution per security for either APG or ADIF Security Holders.

14.3.2 Impact upon financial position

PKFCA has compared the impact upon the net tangible assets (**"NTA"**) and gearing ratio of APG and ADIF as at 30 June 2005, assuming that Proposed Merger is not implemented as compared with that of the Merged Group (based on the Pro forma Balance Sheet) assuming that the Proposed Merger is implemented:

Table 90: Impact on Financial Position at 30 June 2005

	Proposed Merger is not implemented	Pro-forma Balance Sheet Assuming Proposed Merger is implemented: After Proposed Merger	Change: Amount	Change: Percentage
NTA per existing security				
APG	$1.09	$1.12	0.03	2.7%
ADIF	$0.98	$0.88	(0.10)	(10.2%)
Gearing (Net borrowings/ Total assets)				
APG	23.6%	30.5%	6.9%	29%
ADIF	53.6%	30.5%	(23.1%)	(43%)

We note the following in relation to the above:

NTA

- there is almost no effect for APG Security Holders; and
- ADIF Security Holders will experience a reduction in NTA per security due to the goodwill recorded on APG's statement of financial position due to its acquisition of AFM some years ago. However, in our opinion this is not a disadvantage to ADIF Security Holders, as they are acquiring a valuable business (AFM).

Gearing

- for APG Security Holders, the gearing will increase. However, we note that the gearing approximates LPT market averages; and
- for ADIF Security Holders, the gearing will decrease, which is an advantage for those Security Holders.

14.4 Potential market value implications

14.4.1 Re-rating

In our opinion, the Proposed Merger has the potential to lead to a positive re-rating for all Expanded Stapled Securities of the Merged Group. Set out below are the factors which should contribute to the positive re-rating:

- the size and scale of the Merged Group should improve the trading liquidity of all securities;
- potential inclusion in various S&P/ASX indices, creating a pool of potential investors mandated to invest in securities included in various indices; and
- the reduction in size of significant security holder blocks (refer to paragraph 14.4.2).

14.4.2 Liquidity and index inclusion

We note that trading in ADIF securities is non existent (albeit a facility to re-purchase units exists); whilst the trading in APG securities is moderate, particularly by comparison with other the LPTs which form the S&P/ASX 300 property index **("Index")**.

We also note that although APG has adequate market capitalisation to be included in the Index, or other S&P/ASX indices, we understand that APG does not have sufficient liquidity and does not derive a sufficient proportion of its revenues from property investments to be included in the Index.

The Proposed Merger is likely to (at least partially) address the above issues:

- the merger of ADIF with APG should provide improved liquidity of the Expanded Stapled Securities of the Merged Group resulting from the increased size and scale of the Merged Group, together with the increased number of members. In addition, the Merged Group is likely to benefit from a more widely dispersed register of members; and
- inclusion of the Merged Group in the Index should be more likely once the inclusion of ADIF's revenue from property investments is taken into consideration; that is, the Merged Group's revenues from property investments should comprise more than 60% of its revenues.

14.4.3 Potential target

In our opinion the Proposed Merger facilitates the possible acquisition of the Merged Group. However, Security Holders should note that as at the date of this report, there is no offer to acquire all of the Security Holders' interests in either APG or the Merged Group and such an offer may not materialise.

The possibility of the Merged Group being subject to an attractive takeover offer, whilst not certain, cannot be discounted given the established consolidation trend in the LPT market and measurable takeover premiums paid for LPTs acquired.

14.5 Management and control

The largest security holder on the APG register is Australian Executor Trustees Limited which has a total 11.8% interest in APG. The largest security holder in ADIF is Avanteos Investments Limited with a 13.8% interest. APG advised us that Avanteos is a master trust holding investments on behalf of numerous investors. In the event of the Proposed Merger being implemented, the above will have the following interests in the Merged Entity:

- Australian Executor Trustees Limited's interest will be the largest collective security holding and will represent 9.8% of the Merged Group's Expanded Stapled Securities; and
- Avanteos Investments Limited's collective interest will reduce to 2.3% of the Merged Group's Expanded Stapled Securities.

No one party will be able to control the Merged Group and the resulting security register consequently is slightly more widely dispersed, with the top 10 security holders holding 39.3% of the Expanded Stapled Securities.

14.6 Alternative transactions

We understand that, apart from retaining their respective positions, there are no currently available alternatives for APG and ADIF other than the Proposed Merger.

14.7 Other Advantages and disadvantages

14.7.1 Advantages and disadvantages for both APG and ADIF

Advantages

Improved platform for further growth

Whilst both entities have enjoyed growth, we are of the opinion that the Proposed Merger best facilitates the growth prospects for each entity going forward. Set out below are the key factors that support this view:

- the Proposed Merger should facilitate improved access to both equity and debt capital markets which in turn should improve the marginal cost of capital and hurdle rates of the Merged Group;
- the potential re rating of the Merged Group, including its potential inclusion in stock market indices and increased interest by the investment community would make securities in the Merged Group a more attractive currency for effecting any acquisitions, should the Merged Group wish to finance the same either in whole or part via script;
- the Proposed Merger creates a more robust business entity as a result of greater diversification in terms of exposure to property type, property location, major tenants and income streams;
- the Proposed Merger improves the ability to shift capital from one business area to another when appropriate; and
- the Proposed Merger adds to APG property exposures in Queensland, which is Australia's fastest growing State economy.

Increased diversification

Overall the Proposed Merger effects greater diversification in terms of property type exposure, property location exposure, major tenant exposure and income streams a summarised below:

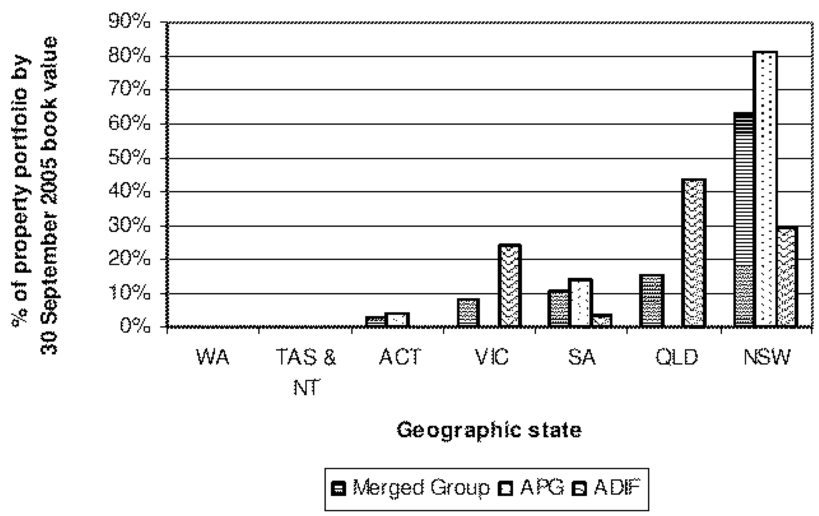
Table 91: Diversification summary

Aspect	APG	ADIF	Merged Group
Property type exposure	Commercial Retail Industrial Residential	Commercial Tourism Retail Industrial Residential	Commercial Tourism Retail Industrial Residential
Property location exposure	NSW, ACT and SA	NSW, VIC, QLD and SA	NSW, VIC, QLD, ACT and SA
Major tenant exposure	Top 5 tenants contribute 38.5% of total rental income	Top 5 tenants contribute over 50% of total rental income	Top 5 tenants contribute 28% of total rental income
Major property exposure	Top 5 properties contribute 70% of total rental income	Top 5 properties contribute 63% of total rental income	Top 5 properties contribute 45% of total rental income
EBITDA exposure (based on Forecast FY2006)	Property investment-50% Mortgage lending- 25% Funds management and property investment banking-9% Property development-6%	Property investment-81% Mortgage lending-14% Property development-5%	Property investment-62% Mortgage lending-22% Funds management and property investment banking-10% Property development-6%

Source: PKFCA analysis

Property location is more diversified in the Merged Group as illustrated below:

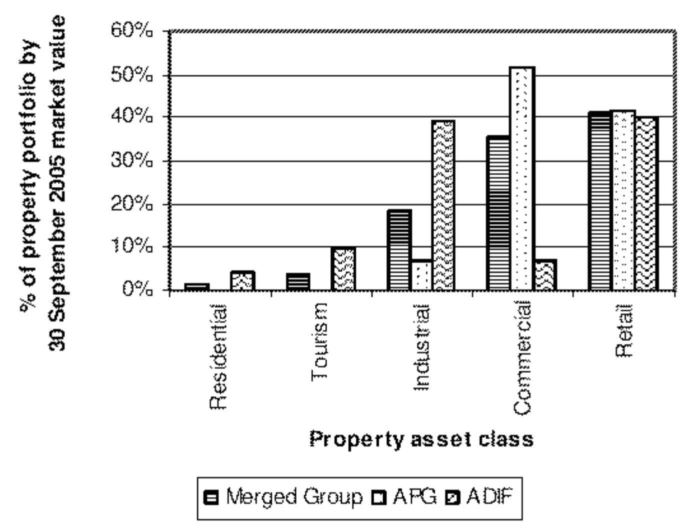
Table 92: Merged Group Summary of property by geographic location



Source: APG; PKFCA analysis

Property type exposure is more diversified in the Merged Group as illustrated below:

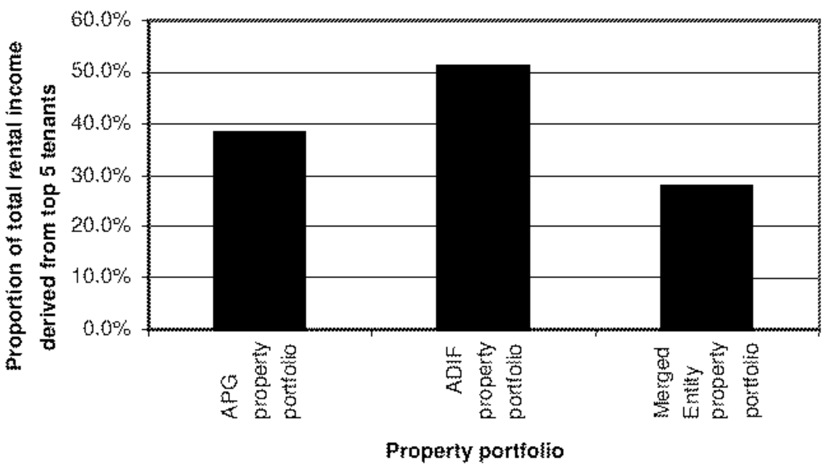
Table 93: Property by industry sector



Source: APG; PKFCA analysis

The Merged Group will derive a total of 28% of its total rental income from its top five tenants being Optus, The Chifley at Lennons, Waco, Santos and CSIRO. This compares favourably to the reliance on the top 5 tenants for either APG's or ADIF's investment property portfolio. This is illustrated below:

Table 94: Major tenants



Source: APG; PKFCA analysis

Improved focus of management team

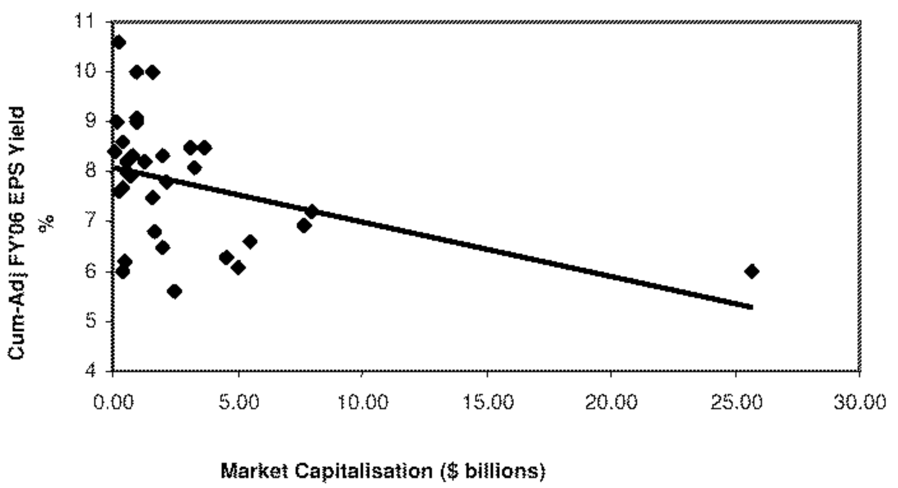
The Proposed Merger deals with the issues of potential conflicts between serving the best interests of APG and ADIF.

Improved access to capital markets

PKFCA has investigated the relationship between LPT market capitalisation and their cost of equity capital. In our analysis:

- the cost of equity capital has been measured by the estimated earnings per share yield for FY2006;
- the market capitalisation of the LPTs has been measured as at 20 October 2005.

Table 95: Cost of equity capital (measured by FY 2006 EPS yield) vs Market Capitalisation



Source: Bloomberg

The above graph confirms the assertion that size and scale attracts cheaper equity capital. It can be seen from the graph that as the market capitalisation of an LPT increases, the cost of equity tends to converge in a downwards trend.

Further as mentioned above, the potential re rating of APG, including its potential inclusion to more stock indices and increased interest by the investment community would make securities in APG a more attractive currency for any type of equity raising.

We therefore conclude that the Proposed Merger has the potential to reduce the cost of equity capital for the Merged Group.

Potential reduced cost of debt

The cost of debt is the largest expense of APG and ADIF.

PKFCA has reviewed the cost of debt capital for the some of the larger LPTs which have, in the main, been able to source their debt from the debt capital markets directly. An example is Investa which has been able to issue medium term notes ranging from 5.75% pa to 6.25% pa. It is noted that Investa has a lower cost of debt capital compared to APG or ADIF, which have a cost of debt of at least approximately 7% pa.

Disadvantages

Risk/return profile

The current separate vehicles allow investors to match their risk/return profiles between:

- a listed property investment vehicle with an exposure to funds management (AFM), and property development and financing activities; or
- an unlisted property investment vehicle with an exposure to only property investment and financing activities.

It may be that the risk/return profile of the Merged Group would not suit all current APG and/or ADIF Security Holders.

Transaction costs

The Proposed Merger costs are estimated to be $600,000. However most of this cost is a sunk cost as it will have been incurred regardless of whether or not the Security Holders approve the Proposed Merger.

14.7.2 Advantages and disadvantages for APG only

Advantages

Size and scale of APG property investment portfolio.

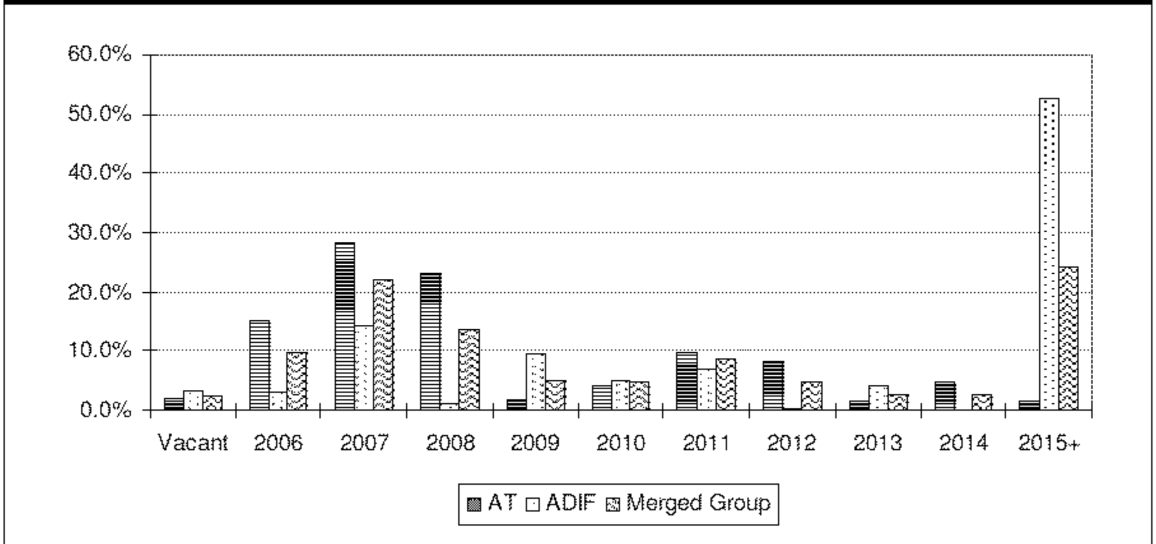
The Proposed Merger will improve the size and scale of APG's current property investment activities which may bring about diversification and economy of scale benefits.

In particular the Proposed Merger is attractive given the difficulty in the current investment climate in securing attractive yielding quality properties.

Lease expiry profile

The lease expiry (by area) of the Merged Group's property portfolio as at 30 September 2005 is as follows:

Table 96: Merged Group Summary of lease expiry



Source: APG; PKFCA analysis

We note that the lease expiry profile will lengthen for APG, however ADIF's lease expiry profile will shorten.

Other

Increased dependency upon property related assets

The Proposed Merger will result in the Merged Group having higher earnings dependence upon property investment assets. This represents a change from the less capital intensive, but more risky, funds management business.

14.7.3 Advantages and disadvantages for ADIF only

Advantages

Premium for control

As a result of implementing the Proposed Merger, the ADIF Security Holders will obtain a premium for control for their securities, which is a significant advantage as compared with the likely discount for illiquidity and minority interest that may otherwise apply in the case of an individual ADIF Security Holder wishing to sell their ADIF securities in the absence of the Proposed Merger.

Impact on liquidity of ADIF securities

From the viewpoint of ADIF Security Holders, a significant advantage arising from the Proposed Merger is that their securities will become listed, thereby providing significantly increased liquidity to their holdings.

Internalisation of management

The Proposed Merger effects an internalisation of ADIF's management. The major benefit of such an internalisation would be the elimination of potential for conflicts of interest.

Addition of diversified income streams

The Proposed Merger will result in the introduction of funds management and enhanced property development and lending activities to ADIF Security Holders. The introduction of these businesses has the potential to:

- increase ADIF Security Holders' income growth prospects;
- broaden the range of income streams available to ADIF Security Holders; and
- increase ADIF Security Holders' return on capital (given the lower capital requirements of these activities).

Attractive exit price

The Proposed Merger reflects a payment of a premium for control to the ADIF Security Holders. This premium would not be paid under the scenarios:

- of a listing of ADIF by way of IPO for which the ADIF Security Holders may be required to suffer from an IPO discount required to guarantee sufficient interest in ADIF securities in order to list ADIF; or
- of the existing liquidity mechanism for ADIF Security Holders.

Disadvantages

Loss of structural discipline

The existing separation of ADIF from its manager provides a form of discipline, as AFM's role as manager could be terminated upon a vote of ADIF unitholders for any reason such as non performance.

Increased volatility

One of the attractions to investors of unlisted property investment vehicles is the lack of volatility (perceived or real) in the value of the securities. Listing on the ASX will result in transparent price volatility of ADIF Security Holders' securities which the Security Holders may not have been accustomed to.

Lease expiry profile

The Proposed Merger will result in a shortening of the lease expiry profile as compared with ADIF's present position. However, we note that the lease expiry profile of the Merged Group remains fairly long.

Tenure of investment

The difficulty with which an unlisted property investment vehicle could be taken over makes such an event unlikely. However, should the Proposed Merger proceed, the ADIF Security Holders are at risk of their investment being acquired by any takeover of the Merged Group.

14.8 Taxation consequences

Based on the tax report included Section 8 of the Explanatory Memorandum, broadly speaking, there are no capital gains tax consequences for all Security Holders. However, we note that a part of the Stapling Distributions to effect the Proposed Merger are likely to result in a reduction in the cost base of the investment for tax purposes and to the extent that a Security Holder has no tax cost base, this will likely result in a capital gain.

14.9 Implications for APG and ADIF Security Holders of rejecting the Proposed Merger

14.9.1 APG

The key implications for APG Security Holders of rejecting the Proposed Merger would essentially be, in the absence of any other proposal, a return to organically based growth. Apart from potentially slower rates of growth in the current market conditions, APG Security Holders would continue to suffer from the following disadvantages:

- the difficulty in acquiring attractive yielding quality properties in the current investment climate;
- a lack of size and scale, which in our opinion is affecting APG's ability to access capital at more attractive rates;
- due to the lack of size and scale, a restriction in the ability to compete in the acquisition of assets;
- a longer timeframe for APG to be included in major share market indices; and
- an increased risk that an opportunistic takeover offer would materialise which would not encapsulate the full value for APG securities.

14.10 ADIF

In our opinion the implications for ADIF Security Holders of the Proposed Merger not proceeding is less severe than those for the APG Security Holders. However, ADIF Security Holders would suffer from the opportunity costs of Proposed Merger benefits foregone. In our opinion, apart from potentially slower rates of growth in the current market conditions, ADIF Security Holders would continue to suffer from the following disadvantages:

- the difficulty in acquiring attractive yielding quality properties in the current investment climate;
- a lack of size and scale which in our opinion is affecting ADIF's ability to access capital at more attractive rates;
- due to the lack of size and scale, a restriction in the ability to compete in the acquisition of assets;
- the continuation of an externally managed model, which does not necessarily completely align the interests of ADIF with the manager;
- the opportunity to diversify the earnings of ADIF by its exposure to AFM's business activities; and
- the opportunity for liquidity of their securities.

15 QUALIFICATIONS DECLARATIONS AND CONSENTS

15.1 Qualifications

PKFCA is the licensed corporate advisory arm of PKF New South Wales, Chartered Accountants and Business Advisers. PKF New South Wales provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities.

Messrs Peter Cornell and Vince Fayad are the executives of PKFCA primarily responsible for the preparation of this report.

Mr Peter Cornell B.Com, LLB, is a Principal of PKFCA. Mr Cornell has over 25 years experience in law, business valuation and corporate advisory and planning activities. He has had extensive experience in the areas of preparation and review of independent expert's reports, litigation accounting, business feasibility studies, financial investigations, business valuations and due diligence reviews.

Mr Vince Fayad B.Bus, CA, is a Director of PKFCA. Mr Fayad is also a Partner of PKF New South Wales. Mr Fayad has over 25 years experience in a number of specialist corporate advisory activities including company valuations, due diligence investigations, preparation and review of business feasibility studies, public company floats, accounting, advising on mergers and acquisitions, advising on independence expert reports, preparation of information memoranda and other corporate investigations.

Based on their experience, Messrs Cornell and Fayad are considered to have the appropriate experience and professional qualifications to provide the advice offered.

15.2 Independence

PKFCA is not aware of any matter or circumstance that would preclude it from preparing this report on the grounds of independence either under regulatory or professional requirements. In particular, PKFCA has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

PKFCA has not held and, at the date of this report, does not hold any shareholding in or other relationship with APG, ADIF or any related entity that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Merger. PKFCA considers itself to be independent in terms of PN 42 – Independence of Experts' Reports, issued by ASIC.

PKFCA will receive a fee in the order of $170,000 (plus goods and services tax and any disbursements) based on time spent in respect of the preparation of this report and the associated reports in relation to the Forecasts and the Pro forma Balance Sheets. PKFCA will not receive any fee contingent upon the outcome of the Proposed Merger, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Merger.

Four drafts of this report were provided to the Directors and their advisers. Certain changes were made to the report as a result of the circulation of the draft reports. However, no changes were made to the methodology, valuations, conclusions or recommendations made to the Security Holders as a result of issuing the draft reports.

15.3 Disclaimer

This report has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this report. This report has been prepared for the sole benefit of the Directors and Security Holders entitled to receive a copy of the Explanatory Memorandum. Accordingly, this report and the information contained herein may not be relied upon by anyone other than the Directors and Security Holders without the written consent of PKFCA. PKFCA accepts no responsibility to any person other than the Directors and Security Holders.

The statements and opinions contained in this report are given in good faith and are based upon PKFCA's consideration and assessment of information provided by the Directors, executives and management of all of the entities.

Yours faithfully

Vince Fayad	**Peter Cornell**
Director	Principal

APPENDIX 1: SOURCES OF INFORMATION

In preparing this report PKFCA has had access to and relied upon the following principal sources of information:

- annual and interim financial reports (including audited and reviewed financial statements) of APG (consolidated), AGHL, AT, AGPL and AIT for FY2003 to FY2005 (inclusive);
- management accounts for the above mentioned entities for FY2003 to FY2005 (inclusive) and the three months to 30 September 2005;
- prospective financial information (i.e. Forecasts) for APG, ADIF and the Merged Group for FY2006;
- stock brokers' reports on APG and other LPTs as well as analyst reports on ADIF and other unlisted property funds;
- ASX company announcement of APG since 30 June 2002 to date;
- APG and ADIF share registers as at 30 September 2005;
- details of APG and ADIF property holdings as at 30 September 2005;
- property valuations relating to the above property holdings;
- various prospectuses/offer documents and financial statements of investment funds for which AFM is the manager;
- management documents prepared by the management of APG, ADIF and AFM;
- publicly available economic and property research publications by major trading banks in Australia;
- various industry analyst reports including information sourced from Property Investment Research Pty Ltd and the BDO Listed Property Trust Survey 2004;
- other LPT independent expert reports;
- publicly available information on APG, comparable companies and relevant market transactions published by Bloomberg;
- draft Explanatory Memorandum and notices of meetings dated 7 December 2005; and
- other information available in the public domain in relation to APG, ADIF and the Australian property industry.

In addition to the above, PKFCA has had various discussions with the management, officers and advisers of APG and ADIF regarding their operations, financial position and prospects and the Proposed Merger.

APPENDIX 2: VALUATION METHODS

In conducting our assessment of the fair market value of APG, ADIF and the Merged Group, the following commonly used business valuation methods have been considered:

Discounted Cash Flow Method

The discounted cash flow (**"DCF"**) method is based on the premise that the value of a business or asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business or asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the risks of those cash flows that is used to discount the forecast cash flows back to net present value (**"NPV"**).

DCF is appropriate where:

- the businesses' earnings are capable of being forecast for a reasonable period with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a 'start up' or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

Capitalisation of Future Maintainable Earnings Method

This method involves the capitalisation of estimated future maintainable earnings by an appropriate multiple. Maintainable earnings are the assessed sustainable profits that can be derived by the business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to available market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net Realisable Value of Assets

Asset based valuations involve the determination of the fair market value of the assets used in the business.

Valuation of net realisable assets involves:

- separating the business or entity into components which can be readily sold, such as individual business units or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for the asset if sold.

The net realisable value of the assets can be determined on the basis of:

- *orderly realisation*: this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;

- *liquidation*: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- *going concern*: the net assets on a going concern basis estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The net realisable value of a trading company's assets will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where a company is making sustained losses or is making profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets.

Share Market Trading History

The application of the price at which an entity's securities trade on the ASX is an appropriate basis for valuation where:

- the securities trade in an efficient market place; and
- the market for the securities is active and liquid.

Constant Growth Dividend Discount Model

The dividend discount model works best for:

- firms with stable growth rates;
- firms which pay out dividends that are high and approximate free cash flow to equity;
- firms with stable leverage; and
- firms where there are significant or unusual limitations to the rights of shareholders.

Special Value

Special value is the amount which a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the potential acquirer of potential economies of scale, reduction in competition or other synergies arising from the acquisition of the asset not available to likely purchases generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchases.

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APPENDIX 3: PRO FORMA BALANCE SHEET - MERGED GROUP

As at 30 June 2005

Consolidated Balance Sheet	APG Pro Forma $	ADIF Pro Forma $	Consolidated Pre Eliminations & Proposed Merger Capital Adjustments Pro Forma $	Proposed Merger Capital Adjustments $	Consolidated After Merger Capital Adjustments Pro Forma $	Proposed Merger Eliminations $	Merged Group Pro Forma $
Assets							
Cash	1,570,009	5,008,000	6,578,009	(600,000)	5,978,009	-	5,978,009
Other receivables	17,781,000	5,715,900	23,496,900	-	23,496,900	(647,000)	22,849,900
Investments in JVs	13,763,000	1,500,000	15,263,000	-	15,263,000	-	15,263,000
Investments in listed & unlisted entities	16,616,000	-	16,616,000	-	16,616,000	-	16,616,000
Investment properties (inc plant & equipment)	360,438,000	185,708,200	546,146,200	-	546,146,200	(365,000)	545,781,200
Property Plant & Equipment	133,000	17,818,000	17,951,000	-	17,951,000	-	17,951,000
Management rights/ Goodwill	32,394,000	1,154,000	33,548,000	-	33,548,000	-	33,548,000
Mortgage Loans (P&I)	171,126,991	23,262,000	194,388,991	-	194,388,991	(20,871,200)	173,517,791
Other financial assets	1,970,000	517,100	2,487,100	-	2,487,100	-	2,487,100
Other assets	1,483,000	145,000	1,628,000	-	1,628,000	-	1,628,000
Total Assets	617,275,000	240,828,200	858,103,200	(600,000)	857,503,200	(21,883,200)	835,620,000
Liabilities							
Creditors and Accruals	(5,528,000)	(4,106,000)	(9,634,000)	-	(9,634,000)	185,000	(9,449,000)
Provision for Distribution	(9,942,000)	(2,342,000)	(12,284,000)	-	(12,284,000)	-	(12,284,000)
Provision for Tax & Other	(1,348,000)	(251,700)	(1,559,700)	-	(1,559,700)	-	(1,559,700)
Borrowings - Loan AFP/ AT	-	(20,871,200)	(20,871,200)	-	(20,871,200)	20,871,200	-
Borrowings – Third party	-	(7,692,000)	(7,692,000)	-	(7,692,000)	-	(7,692,000)
Borrowings - Bank	(147,383,121)	(105,435,356)	(252,818,477)	-	(252,818,477)	-	(252,818,477)
Total Liabilities	**(164,201,121)**	**(140,698,256)**	**(304,899,377)**	**-**	**(304,899,377)**	**21,056,200**	**(283,843,177)**
Net Assets	**453,073,879**	**100,129,944**	**553,203,823**	**(600,000)**	**552,603,823**	**(827,000)**	**551,776,823**

Consolidated Balance Sheet	APG Pro Forma $	ADIF Pro Forma $	Consolidated Pre Eliminations & Proposed Merger Capital Adjustments Pro Forma $	Proposed Merger Capital Adjustments $	Consolidated After Merger Capital Adjustments Pro Forma $	Proposed Merger Eliminations $	Merged Group Pro Forma $
Equity							
Capital Subscribed	(406,825,000)	(102,193,000)	(509,018,000)	-	(509,018,000)	-	(509,018,000)
Issue Costs	1,650,000	4,445,000	6,095,000	600,000	6,695,000	(332,340)	6,362,660
Finance Costs	-	609,000	609,000	-	609,000	-	609,000
Foreign currency translation reserve	211,000	-	211,000	-	211,000	-	211,000
Retained Earnings	(46,276,879)	(2,058,944)	(48,335,823)	-	(48,335,823)	1,159,340	(47,176,483)
Outside Equity	(1,833,000)	(932,000)	(2,765,000)	-	(2,765,000)	-	(2,765,000)
Unit holders' Equity	**(453,073,879)**	**(100,129,944)**	**(553,203,823)**	**600,000**	**(552,603,823)**	**827,000**	**(551,776,823)**
Securities on issue	385,471,659	101,479,051	486,950,710	(22,274,900)	464,675,810	-	464,675,810
Net Assets per Stapled Security	$ 1.18	$ 0.99					$ 1.19
Net Tangible Assets per Stapled Security	$ 1.09	$ 0.98					$1.12
Net debt Gearing - %	23.6%	53.6%	28.7%		32.1%		30.5%
Gross debt Gearing - %	23.9%	55.6%	29.5%		32.8%		31.2%

Source: APG.

APPENDIX 4: ALLOCATION OF APG BOOK VALUE BY BUSINESS ACTIVITY

Table 97 APG Business activities

Consolidated Balance sheet	30-Jun-05 Book Value AGAAP $ million	30 Sep-05 Book Value AIFRS $ million	Property investment - Book value allocation $ million	Mortgage business - Book value allocation $ million	AFM - Book value allocation $ million	Other - Book value allocation $ million
Assets						
Cash	4.42	16.23				16.23
Receivables	20.09	5.48				5.48
Investment properties	352.04	357.67	357.67			
Property Plant & Equipment	0.13	0.14				0.14
Mortgage Loans (Principal & interest)	152.88	174.92		174.92		
Investments in JVs	13.76	11.58			11.58	
Investments in Listed & Unlisted vehicles	16.62	18.88			18.88	
Intangible assets (net)	30.62	32.39			32.39	
Other financial assets	1.97	1.78				1.78
Other assets	1.00	1.37				1.37
Total Assets	**593.52**	**620.44**	**357.67**	**174.92**	**62.85**	**25.00**
Liabilities						
Creditors and Accruals	5.53	4.61				
Provision for Distribution	9.94	14.98				
Provision for Tax	0.78	1.7				
Provision for Other	0.70	0.81				
Borrowings – Bank (Note 1)	172.76	142.52				
Swaps	-	4.23				
Total Liabilities	**189.72**	**168.84**				
Net Assets	**403.81**	**451.59**				

Source: APG management accounts

APPENDIX 5: ALLOCATION OF ADIF BOOK VALUE BY BUSINESS ACTIVITY

Table 98: ADIF Business activities

Consolidated Balance Sheet	30-Jun-05 Book Value AGAAP $ million	Book Value AIFRS $ million	30-Sep-05 Property investment Book value allocation $ million	Mortgage business Book value allocation $ million	Other Book value allocation $ million
Assets					
Cash	1.79	5.25			5.25
Receivables & other financial assets	6.09	5.46			5.46
Investments in Joint Ventures	3.36	1.50			1.50
Investment properties (inc plant & equipment)	177.43	200.98	200.98		
Management rights	1.15	1.12	1.12		
Mortgage Loans (P&I)	32.55	24.59		24.59	
Total Assets	**222.37**	**238.90**	**202.10**	**24.59**	**12.21**
Liabilities					
Creditors and Accruals	3.97	4.64			
Provision for Distribution	2.34	2.37			
Borrowings - Loan APG	14.57	19.98			
Borrowings – Third party	7.69	7.78			
Borrowings - Bank	92.43	102.50			
Swaps	-	0.59			
Total Liabilities	**121.00**	**137.85**			
Net Assets	**101.37**	**101.05**			

Source: ADIF management accounts

APPENDIX 6: COMPANY DESCRIPTIONS – FUND MANAGERS

Table 99: Company descriptions

Company	Description
APN Property Group Limited	APN Property Group Limited is a fully integrated property company. The Company specializes in the management of property funds, including both direct property funds and property securities funds.
OFM Investment Group Limited	OFM Investment Group Limited provides financial services and property investments. The Company's financial services include funds management, mortgage and development finance, property investment and development and retail insurance.
Cromwell Corporation Limited	Cromwell Corporation Limited is property development company with interests in commercial and office properties in far North Queensland and Adelaide. The Company's other activities include project management, syndication and investment.
MacarthurCook Limited	MacarthurCook Limited is a property and funds management company. The Company provides property investment management such as mortgages and investment funds. The property advisory services include provision of services to third parties in property acquisitions.
WRF Securities Limited	WRF Securities Limited is a boutique funds manager that develops, markets and manages property investment products and investment funds along with managing agribusiness investment products.
Hunter Hall International Limited	Hunter Hall International Limited is an ethical fund manager whose investment policy restricts investment in companies involved in activities such as tobacco, armaments, gambling, and destruction of the environment or cruelty to animals.
Australian Ethical Investment Limited	Australian Ethical Investment Limited operates as a funds manager. The Company manages a portfolio of ethical investments that support society and the environment such as recycling, renewable energy, complementary healthcare, education and bio-diversity.

Source: Bloomberg

APPENDIX 7: VALUATION PARAMETERS – FUND MANAGERS

Table 100: Company multiples

Company	Market Capitalisation $ million	Enterprise Value $ million	Current Revenue Multiple x	Current EBITDA Multiple x	Current EBIT Multiple x	FUM $ 000 Billion	Enterprise Value: FUM %
Property specialist fund managers							
APN	186.40	256.79	4.04	38.62	53.79	1.90	13.52%
OFM Investment Group Limited	106.80	149.80	4.71	13.26	13.26	1.08	13.87%
Cromwell Corporation Limited	63.00	65.31	3.42	13.85	15.09	0.73	8.95%
MacarthurCook Limited	25.70	30.95	3.92	18.21	28.14	0.61	5.07%
WRF Securities	17.64	23.72	3.55	10.01	10.30	0.26	9.12%
Fund managers							
Hunter Hall	149.00	149.00	5.56	11.49	11.82	1.33	11.20%
Australian Ethical Investment	21.80	21.80	2.94	17.33	18.71	0.31	7.00%

Note: No Forecast multiples were available for the above companies

Source: Bloomberg

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APPENDIX 8: MANAGEMENT RIGHTS/ FUND MANAGER MERGER AND ACQUISITION ACTIVITY

There has been considerable transaction activity in Australia and New Zealand involving the acquisition of real estate asset and property management rights in recent years. Such transactions provide evidence of prices that acquirers are willing to pay for real estate asset and property management rights. However, many such transactions involve privately owned companies or divisions of large companies for which financial information is limited or not publicly disclosed. A selection of relevant transactions since 1999 involving real estate asset and property management rights in Australia and New Zealand for which financial information is available is set out below:

Table 101: Recent transaction evidence

Date	Target	Transaction	Consideration[1] $ million	FUM[2] $ million	Consideration/ FUM%	Revenue Multiple[3] Historical times	EBITA Multiple[4] Historical times	Forecast times
May 2005	Charter Hall	Acquisition of Charter Hall Holdings Pty Ltd (fund manager) by Charter Hall Group (property fund)	49	1,000	4.9	na	na	6.2
December 2004	Macquarie Goodman	Acquisition of Macquarie Goodman Management Limited by Macquarie Goodman Industrial trust	950	4,991	19.0	16.8	27.6	20.5
October 2004	Management rights for the former Colonial First State Industry Property Trust	Acquisition of 25.5% by Macquarie Goodman Management Limited from Ascendas Pte Limited	14.0	528	10.4%[8]	na	na	na
August 2004	Management rights for DB RREEF Trust and other entities	Acquisition of 50% by DB RREEF Trust	140	9,164	1.42%	2.6	na	7.0[5]
May 2004	Management rights for ICA Property Group	Acquisition by Valad Property Group	28.0	405	6.9%	na[6]	6.2	4.9
April 2004	Management rights for Westfield Trust, Westfield America Trust and Carindale Property Trust	Merger of Westfield Holdings Limited, Westfield Trust and Westfield America Trust	6,127.5[7]	32,000	19.2%	na	26.0	21.5

Notes:

1. Implied value if 100% of company or business had been acquired.
2. FUM = assets under management.
3. Represents gross consideration divided by revenue. The gross consideration is the sum of the equity and/or cash consideration plus borrowings net of cash.
4. Represents gross consideration divided by EBITA. EBITA is earnings before interest, tax and goodwill amortisation. However, in some transactions only EBITDA (i.e. earnings before interest, tax, depreciation and amortisation) is available. As property and funds management businesses are not typically capital intensive in some instances the EBIT multiple has been calculated by reference to EBITDA (e.g. Valad Funds Management Limited and Westpac Property Trust Funds Management Limited).
5. Based on EBITA Forecast for 2005/06 as 2004/05 year is a transitionary year for the business and therefore the transaction multiple is probably lower than 7.7 times 2005 EBITA and closer to the Forecast 2006 multiple of 7.0 times.
6. na = not available. Historical management fee revenue is not available for the ICA Property Group, however, the transaction implies 2.2 times Forecast 2005 revenue.
7. Consideration based on the value attributed to Westfield Holdings Limited's property development and construction and property and funds management businesses by the independent expert in relation to the merger of Westfield Holdings Limited, Westfield Trust and Westfield America Trust. The implied multiples for the second Forecast year (30 June 2006) were 14.9-17.3 times EBITA.
8. Calculated as (14 ÷ 25.5%) ÷ 528.

Source: Bloomberg, ASX announcements, Expert reports

APPENDIX 9: COMPANY DESCRIPTIONS – DEVELOPERS

Table 102: Comparable Company Descriptions

Company	Description
Larger Diversified Developers	
Lend Lease Corporation Limited	Lend Lease Corporation Limited provides real estate project management, project design, project financing and construction services along with property development. The Company also provides real estate investment management services.
Leighton Holdings Limited	Leighton Holdings Limited offers a variety of project development and contracting services to public and private sector clients in the Asia-Pacific region. Leighton provides design management, civil engineering construction, building, mining and process engineering.
FKP Property Group	FKP Property Group's activities include the development for resale of land subdivision, residential and commercial property along with commercial and residential building and construction. The Company also develops and manages retirement villages.
Peet & Company Limited	Peet & Company Limited is a property development company that focuses on the residential housing sector. The Company purchases, manages, develops and sells properties in Western Australia, Victoria, Queensland and New South Wales.
Sunland Group Limited	Sunland Group Limited is a property development and construction company. The Company's development sites include residential housing, apartments and hotels. The Company is also involved in hotel investments and operations.
AVJennings Homes Limited	AVJennings Homes Limited operates in the land development and housing sectors. The Company constructs residential houses in Australia along with residential land development.
Walker Corporation Limited	Walker Corporation Limited is a property development company. The Company is involved in residential, retail, commercial and industrial property development and civil engineering. Walker's projects are located in Queensland, New South Wales and Victoria.
Central Equity Limited	Central Equity Limited operates in the property development and management industry. The Company's property portfolio includes commercial and residential apartment complexes and town homes.
Villa World Limited	Villa World Limited develops and resells residential land and/or buildings for the affordable home market in Queensland, New South Wales and Victoria. The Company also develops and manages retirement villages in Queensland.
Cedar Woods Properties Limited	Cedar Woods Properties Limited is a real estate development company for residential housing as well as industrial and commercial projects in Australia.
Watpac Limited	Watpac Limited is involved in the construction and refurbishment of buildings, development of property real estate and is involved in construction management. Watpac's construction projects are utilized by the commercial, residential, industrial and retail.
Devine Limited	Devine Limited provides residential property marketing and development and manufactures building supplies for the housing and construction industries. The Company's housing products also include loan origination and securitization.
Developers	
Raptis Group Limited	Raptis Group Limited is a property investment and development company which operates residential joint ventures. The residences are located on the Gold Coast and Surfers Paradise in Queensland and include apartments and beachside apartments.
Metroland Australia Limited	Metroland Australia Limited activities include property development, project management and construction and financial services and investment.
Phileo Australia Limited	Phileo Australia Limited operates as a property investor and developer in Australia. The Company develops both residential and office properties.

Source: Bloomberg

APPENDIX 10: VALUATION PARAMETERS - DEVELOPERS

Table 103: Comparable Company multiples

Company	Market Capitalisation $ million	Enterprise Value $ million	Historical EV/Sales x	Historical EV/EBITDA x	Historical EV/EBIT x	Forecast EV/Sales x	Forecast EV/EBITDA x	Forecast EV/EBIT (Times)
Larger Diversified Developers								
Lend Lease Corp Ltd	5,709	5,720	0.60	12.9	14.3	0.55	10.01	11.04
Leighton Holdings Ltd	4,582	4,817	0.75	7.0	15.3	0.61	6.33	13.95
FKP Property Group	854	854	2.78	10.3	10.6	2.44	8.54	8.87
Peet & Company Limited	436	440	5.73	9.3	9.3	4.68	8.81	8.70
Sunland Group Ltd	368	622	1.35	5.1	5.2	1.15	4.56	na
AV Jennings Homes Ltd	257	283	0.65	6.9	7.1	na	na	na
Central Equity Ltd	167	218	1.28	5.9	6.2	na	na	na
Villa World Ltd	155	252	1.35	5.4	5.5	1.33	6.26	6.46
Cedar Woods Properties Ltd	160	176	2.35	9.1	9.2	na	na	na
Watpac Ltd	133	143	0.35	6.3	10.2	0.30	8.10	na
Devine Ltd	81	393	0.83	7.1	7.3	na	na	na
Developers								
Raptis Group Limited	55	191	1.27	13.5	14.6	na	na	na
Metroland Australia Limited	14	30	6.76	14.9	15.1	na	na	na
Phileo Australia Limited	13	22	4.08	9.8	10.1	na	na	na

Source: Bloomberg

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APPENDIX 11: LPT MERGER AND ACQUISITION ACTIVITY

Table 104: Summary of LPT mergers and acquisitions

Target	Acquire/ Internalised Manager	Transaction date	Transaction value $ million	Premium to market capitalisation	Premium to NTA	Consideration	Comments
Internalisations							
GPT Management Limited (wholly owned subsidiary of Lend Lease Corporation)	General Property Trust	May-05	nmf	nmf	nmf	nmf	A transaction involving 3 aspects: 1) the internalisation of GPT's manager by establishment of a new manager to replace GPT management which was a wholly owned subsidiary of Lend Lease; 2) the formation of a joint venture with Babcock and Brown to invest in offshore properties; and 3) the sale of shopping centre assets.
Macquarie Goodman Management Limited	Macquarie Goodman Industrial Trust	Dec-04	950	discount	nmf	Scrip	Merger achieved by the stapling of securities in Macquarie Goodman Management Limited and Macquarie Goodman Industrial Trust.
Deutsche Office Trust	DB RREEF Operations Trust	Aug-04	1,670	discount	(0.4)%	Scrip	A transaction involving 3 aspects: 1) the merger of DOT, DIT and DDF into a newly formed trust, known as DB RREEF Operations Trust (DRO); 2) the acquisition an partial internalisation of management; and 3) the acquisition of assets, including an 80% interest in Calwest's US industrial property assets.
Deutsche Industrial Trust	DB RREEF Operations Trust	Aug-04	1,075	0.5%	15.9%	Scrip	
Deutsche Diversified Trust	DB RREEF Operations Trust	Aug-04	1,579	0.0%	5.0%	Scrip	
Westfield Holdings Ltd	Westfield Group	Jul-04	7,893	0.0%	nmf	Scrip	Three way merger of WFT, WFA and WSF effected by scheme of arrangement and resulting in the internalisation of WFT and WFA.
Westfield America Trust	Westfield Group	Jul-04	8,792	10.1%	19.6%	Scrip	
Westfield Trust	Westfield Group	Jul-04	9,657	6.6%	54.8%	Scrip	

Target	Acquire/ Internalised Manager	Transaction date	Transaction value $ million	Premium to market capitalisation	Premium to NTA	Consideration	Comments
Takeover of internally managed LPTs							
James Fielding Holdings Limited	Mirvac Group	Oct-04	495	13.2%	37.1%	Cash/Scrip	Takeover of James Fielding Group by Mirvac Group by way of a scheme of arrangement
Ronin Property Trust Group	Multiplex Group Limited	Sept-04	1,341	10.9%	16.96%	Cash/Scrip	Takeover offer by cash and scrip consideration
Prime Retail Group	Centro Property Group	Jul-04	414	9.9%	14.0%	Scrip	Scheme of arrangement merger
Average				**11.3%**	**22.7%**		
Takeover of externally managed LPTs							
Principal America Office Trust	Macquarie Office Trust	Jul-04	857	12.6%	32.7%	Cash/Scrip	
AMP Diversified Trust	Stockland	Jul-03	1,579	15.5%	20.8%	Cash/Scrip	
Principal Office Fund	Investa	Jul-03	1,482	14.1%	2.2%	Scrip	Offer considered "cheap" due to negative sentiment in relation to office markets at time of transaction
AMP Industrial Trust	Macquarie Goodman Industrial Trust	Jul-03	457	9.8%	27.0%	Cash/Scrip	
AMP Shopping Centre Trust	Westfield Trust	May-03	1,439	26.8%	21.8%	Cash	
Average				**15.8%**	**20.9%**		

Source: Bloomberg
Nmf: not meaningful

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APPENDIX 12: FINANCIAL SERVICES GUIDE

This Financial Services Guide is issued in relation to an independent expert's report (**"Report"**) prepared by PKF Corporate Advisers Pty Limited at the request of the directors (**"Directors"**) of each of Abacus Group Holdings Limited (**"AGHL"**), Abacus Group Projects Limited (**"AGPL"**) and Abacus Funds Management Limited (**"AFM"**) as the Responsible Entity for each of Abacus Income Trust (**"AIT"**) and Abacus Trust (**"AT"**) in relation to a proposal that Abacus Property Group ("**APG**") and Abacus Diversified Income Fund ("**ADIF**") merge (**"Proposed Merger"**) to form an expanded Abacus Property Group (the "**Merged Group**"). The Report is intended to accompany an Explanatory Memorandum that is to be provided by the Directors to the Security Holders entitled to vote on the Proposed Merger (**"Explanatory Memorandum"**).

PKF Corporate Advisers Pty Limited

PKF Corporate Advisers Pty Limited (**"PKFCA"**) (ABN 70 050 038 170) has been engaged by the Directors to prepare the Report expressing our opinion as to whether or not the Proposed Merger is in the best interests of the Security Holders in each of APG and ADIF (**"Security Holders"**).

Financial Services Guide

PKFCA holds an Australian Financial Services Licence (Licence No: 247420) (**"Licence"**). As a result of our Report being provided to you we are required to issue to you, as a retail client, a Financial Services Guide (**"FSG"**). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial services we are licensed to provide

The Licence authorises PKFCA to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

We provide financial product advice by virtue of an engagement to issue the Report in connection with the issue of securities of another person.

Our Report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our Report (as a retail client) because of your connection with the matters on which our Report has been issued.

Our Report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the Report.

General Financial Product Advice

Our Report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to the Proposed Merger described in the Explanatory Memorandum may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that we may receive

PKFCA has charged fees for providing our Report. The basis on which our fees will be determined has been agreed with, and will be paid by, the person who engaged us to provide the Report. Our fees have been agreed on either a fixed fee or time cost basis.

PKF

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of PKFCA or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our Report was provided.

Referrals

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

PKFCA is the licensed corporate advisory arm of PKF New South Wales, Chartered Accountants and Business Advisers. The directors of PKFCA may also be partners in PKF New South Wales, Chartered Accountants and Business Advisers.

PKF New South Wales, Chartered Accountants and Business Advisers is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

PKFCA's contact details are as set out on our letterhead.

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, PKF Corporate Advisers Pty Limited, Level 10, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical.

If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Industry Complaints Service (**"FICS"**). FICS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. PKFCA is a member of FICS. FICS may be contacted directly via the details set out below.
Financial Industry Complaints Service Limited
PO Box 579
Collins Street West
Melbourne VIC 8007
Toll free: 1300 78 08 08
Facsimile: (03) 9621 2291

Email: www.fics@fics.asn.au

Greenwoods
& Freehills

8 December 2005

The Directors
Abacus Group Projects Limited
Abacus Group Holdings Limited
Abacus Funds Management Limited
Level 34, Australia Square
264-278 George Street
SYDNEY NSW 2000

Dear Sirs

We have been instructed by Abacus Group Projects Limited ("AGPL"), Abacus Group Holdings Limited ("AGHL") and Abacus Funds Management Limited as responsible entity for Abacus Income Trust ("AIT") and Abacus Trust ("AT") to prepare a taxation report on the Australian income tax and goods and services tax ("GST") issues, for inclusion in an Explanatory Memorandum, in relation to the transaction described in detail in the Explanatory Memorandum and summarised below (the "**Merger**" and "**Sale Facility**").

The information contained in this report is of a general nature only. It does not constitute tax advice and should not be relied upon as such. This report only outlines the general Australian taxation implications for APG security-holders (where APG securities comprise one AGHL share and one AT unit) and ADIF security-holders (where ADIF securities comprise one AGPL share and one AIT unit) in respect of their participation in the Merger or Sale Facility and from the holding and disposal of Merged Group Stapled Securities. We have only dealt with certain resident and non-resident Security-holders that are individuals, complying superannuation entities and companies that hold their respective investments on capital account. In particular we have not addressed the tax treatment for Security-holders that hold their securities on revenue account such as banks and other trading entities or non-resident Security-holders who currently hold APG securities or ADIF securities, through a permanent establishment in Australia.

All investors should seek independent professional advice on the consequences of their participation in the transactions, based on their particular circumstances.

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Terms used in this report are, unless stated otherwise, defined in the same way as they are in the Explanatory Memorandum.

This report is based on the provisions of the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997*, the *A New Tax System (Goods and Services Tax) Act 1999* and related acts, regulations and Australian Taxation Office ("**ATO**") rulings and determinations applicable as at the date of this letter. Importantly, we have requested confirmation from the ATO in relation to certain aspects of the transaction. If such confirmation is provided, the transaction will not lead to taxable events to ADIF or APG security-holders for capital gains tax ("CGT") purposes. It is anticipated that such confirmation will be provided and this report is based on such confirmation being provided.

1 Factual Background

1.1 Merger

The Merger can be summarised broadly as follows:

- each Existing AIT unit and Existing AGPL share (which comprise one ADIF security) will be converted into. .78 Restructured AIT units and .78 Restructured AGPL shares, with each holding being rounded up to the nearest whole number of Restructured AIT units and Restructured AGPL shares;
- each Restructured AIT unitholder will receive a stapling distribution of $0.77718 per AIT unit to be applied on behalf of each AIT unitholder to subscribe for one AT unit for $0.77618 and for one AGHL share for $0.001;
- each AT unitholder will receive a stapling distribution of $0.15969 per AT unit to be applied on behalf of each AT unitholder to subscribe for one Restructured AGPL share for $0.001 and one AIT Restructured unit $0.15869;
- each ADIF security and APG security will be Stapled and listed on the Australian Stock Exchange (each a "**Merged Group Stapled Security**").

1.2 Sale Facility

- Foreign security-holders will be required to participate in the Sale Facility whereby legal title to the relevant security-holder's ADIF securities or APG securities will be transferred to a stockbroker (as bare trustee) prior to the conversion of ADIF Securities referred to in Section 1.1 above. Following conversion and merger, the resulting Merged Group Stapled Securities will be sold under the Sale Facility and the relevant Foreign security-holders will be paid the Sale Facility Consideration payable under the Sale Facility.

The general taxation consequences of participating in the Merger or Sale Facility are outlined below.

2 Tax Consequences of Merger

2.1 ADIF security-holders

The CGT and income tax consequences discussed below will generally apply to:

(a) Australian-resident ADIF security-holders; and

(b) non-resident ADIF security-holders whose existing securities have the necessary connection with Australia (refer 4.4 below).

2.1.1 Conversion of Existing AIT units and AGPL shares

For CGT purposes, if two or more CGT assets (such as Existing AIT units and AGPL shares, each unit or share being a separate CGT asset) are merged into a single asset where the beneficial ownership of each original asset and the new asset remains the same, the merger will not be a taxable event for CGT purposes.

Where two or more CGT assets are merged into a single CGT asset and the beneficial ownership of each original asset and the new asset remains the same, each element of the cost base and the reduced cost base (as the case may be) of the new asset (at the time of merging) is the sum of the corresponding elements of the cost base of each original asset.

Accordingly, the cost base and reduced cost base of an AIT unitholder's Restructured AIT units will be equal to the sum of the cost base and reduced cost base of their Existing AIT units apportioned across the Restructured AIT units in accordance with the ratio for the conversion of the Existing AIT units.

Similarly, the cost base and reduced cost base of a AGPL shareholder's Restructured AGPL shares will be equal to the sum of the cost base and reduced cost base of their Existing AGPL shares apportioned across the Restructured AGPL shares in accordance with the ratio for the conversion of the AGPL shares.

On the basis that the conversion of Existing AIT units and Existing AGPL shares will not be a taxable event for CGT purposes (because there will be no change in beneficial ownership of the AIT units), an ADIF security-holder would generally be taken to have acquired the Restructured AIT units and AGPL shares at the time they acquired their existing securities.

2.1.2 AIT stapling distribution

The stapling distribution by AIT is not a distribution of income of AIT and therefore, subject to the CGT provisions (discussed below), no amount of the stapling distribution should be included in the assessable income of an ADIF security-holder.

The stapling distribution of $0.77718 paid by AIT in respect of each Restructured AIT unit will result in the cost base and reduced cost base in each Restructured AIT unit being reduced by $0.77718. Any AIT unitholder whose cost base in a Restructured AIT unit is less than $0.77718 will make a capital gain to the extent that such cost base is less than the $0.77718 stapling distribution. Certain AIT unitholders who make a capital gain may be eligible for the CGT discount or indexation (see 4.3 below).

2.1.3 AT Units issued to ADIF security-holders

The first element of the cost base of each AT unit issued to an ADIF security-holder will be \$0.77618, being the amount that each ADIF security-holder is required to pay in respect of the acquisition of each AT unit (and which will be applied on the ADIF security-holder's behalf from the proceeds of the stapling distribution). The AT units will be taken for CGT purposes to be acquired by each AIT unitholder when they are issued pursuant to the Merger (being the Implementation Date).

2.1.4 AGHL Shares issued to ADIF security-holders

The first element of the cost base of each AGHL share issued to a ADIF security-holder will be \$0.001, being the amount that each ADIF security-holder is required to pay in respect of the acquisition of each AGHL share (and which will be applied on the ADIF security-holder's behalf from the proceeds of the stapling distribution). The AGHL shares will be taken for CGT purposes to be acquired by each ADIF security-holder when they are issued pursuant to the Merger (being the Implementation Date).

2.1.5 Stapling

The effect of Stapling is to apply restrictions to the transferability of the individual securities comprising the Merged Group Stapled Security, such that each individual security (i.e. Restructured AIT unit, Restructured AGPL share, AT unit and AGHL share) will retain its legal character without any change of beneficial ownership. As there is no change in beneficial ownership, there will be no taxable event for CGT purposes in relation to the Stapling of an AT unit and an AGHL share to an ADIF security pursuant to the Merger.

2.1.6 Sale Facility

We noted above in 1.1 that Foreign security-holders will transfer legal title to a stockbroker as bare trustee. On this basis, all events occurring under the Merger will be treated as happening to the Foreign security-holder (and not the stockbroker) for Australian CGT purposes. Accordingly, the CGT consequences of the Merger for ADIF security-holders who are Foreign security-holders will be the same as outlined above since they will be treated as converting their ADIF Securities into Merged Group Stapled Securities. In relation to the disposal of the Merged Group Stapled Securities, the cost base of the individual securities is as determined above and the proceeds of disposal will be the Sale Facility Consideration. In relation to the Merged Group Stapled Securities held by Foreign security-holders and other non-residents, there will only be CGT consequences in relation to the Sale Facility if the units / shares have the necessary connection with Australia (refer 4.4 below). Certain ADIF security-holders who make a capital gain may be eligible for the CGT discount or indexation (see 4.3 below).

2.2 APG security-holders

The CGT and income tax consequences discussed below will generally apply to:

(a) Australian-resident APG security-holders; and

(b) non-resident APG security-holders whose existing securities have the necessary connection with Australia (refer 4.4 below).

2.2.1 AT stapling distribution

The stapling distribution by AT is not a distribution of income of AT and therefore, subject to the CGT provisions (discussed below), no amount of the stapling distribution should be included in the assessable income of an APG security-holder.

The stapling distribution of $0.15969 paid by AT in respect of each AT unit will result in the cost base and reduced cost base of each AT unit being reduced by $0.15969. Any AT unitholder whose cost base in a AT unit is less than $0.15969 will make a capital gain to the extent that such cost base is less than the $0.15969 stapling distribution. Certain AT unitholders who make a capital gain may be eligible for the CGT discount (see discussion of the CGT discount below at 4.3).

2.2.2 Restructured AIT units issued to APG security-holders

The first element of the cost base of each Restructured AIT unit issued to an APG security-holder will be $0.15869, being the amount that each APG security-holder is required to pay in respect of the acquisition of each Restructured AIT unit (and which will be applied on the APG security-holder's behalf from the proceeds of the stapling distribution). The Restructured AIT units will be taken to be acquired by each APG security-holder when they are issued pursuant to the Merger (being the Implementation Date).

2.2.3 Restructured AGPL shares issued to APG security-holders

The first element of the cost base of each Restructured AGPL share issued to an APG security-holder will be $0.001, being the amount that each APG security-holder is required to pay in respect of the acquisition of each Restructured AGPL share (and which will be applied on the APG security-holder's behalf from the proceeds of the stapling distribution). The Restructured AGPL shares will be taken to be acquired by each APG security-holder when they are issued pursuant to the Merger (being the Implementation Date).

2.2.4 Stapling

For the reasons discussed above at 2.1.5, there should be no taxable event for CGT purposes in relation to the Stapling of a Restructured AGPL share and a Restructured AIT unit to an APG security pursuant to the Merger.

2.2.5 Sale Facility

The CGT consequences of the Merger for APG security-holders who are Foreign security-holders will be the same as outlined above since they will be treated as converting their APG Securities into Merged Group Stapled Securities. In relation to the disposal of the Merged Group Stapled Securities, the cost base of the individual securities is as determined above and the proceeds of disposal will be the Sale Facility Consideration. In relation to the Merged Group Stapled Securities held by Foreign security-holders and other non-residents, there will only be CGT consequences in relation to the Sale Facility if the units / shares have the necessary connection with Australia (refer 4.4 below). Certain APG security-holders who make a capital gain may be eligible for the CGT discount or indexation (see 4.3 below).

3 Holding Merged Group Stapled Securities

3.1 Summary

In summary, and subject to our more detailed comments below, the Australian tax consequences of holding Merged Group Stapled Securities after the Merger depend on whether the relevant Merged Group Stapled Security-holder (Security-holder) is a resident or a non-resident of Australia for Australian taxation purposes.

If the Security-holder is an Australian resident taxpayer, the Security-holder will generally be taxable:

- on the Security-holder's share of the net income of AIT and AT for tax purposes (including, in respect of foreign source income that forms part of the net income of AT or AIT for tax purposes, any foreign tax credits attached to such foreign source income);
- on the tax deferred (non-assessable) component of distributions made in relation to Restructured AIT units or AT units to the extent the non-assessable amount exceeds the cost base of the Restructured AIT unit or AT unit ;
- on the amount of any dividend received from APGL and APHL and any franking credits attached to the dividend;
- on any gain arising from the subsequent disposal of the Merged Group Stapled Securities.

Where an Australian resident Security-holder's share of the net income of AIT or AT for tax purposes includes foreign-sourced income, the Security-holder will generally be entitled to a foreign tax credit.

If the Security-holder is a non-resident, the Security-holder will generally be taxable on:

- the Security-holder's share of the net income of AIT and AT for tax purposes to the extent that it is attributable to sources in Australia; and
- on the amount of any unfranked dividend received from AGHL and AGPL (by way of dividend withholding tax).

In addition, if the Merged Group Stapled Security is held by the non-resident Security-holder on capital account and the Security-holder (together with the Security-holder's associates) has held at least 10% of the Restructured AIT units, AT units, AGPL shares and/or AGHL shares on issue at any one time during the 5 years preceding the disposal date, and the Security-holder is not entitled to double tax treaty relief, CGT will be payable:

- on the amount of the tax deferred (non-assessable) component of distributions made in relation to Restructured AIT units or AT units to the extent the non-assessable amount exceeds the cost base of the Restructured AIT unit or AT unit; and
- on any gain arising from the subsequent disposal of the AGPL share, AGHL share, Restructured AIT unit and AT unit representing the Merged Group Stapled Security.

3.2 Ownership of Merged Group Stapled Securities - General

Security-holders will need to treat each component making up the Merged Group Stapled Security separately for tax purposes, i.e. as a Restructured AIT unit, an AT unit, a Restructured AGPL share and an AGHL share. That is:

- Security-holders will receive, and separately deal with, the tax consequences of distributions from AIT and AT and dividends from AGPL and AGHL; and
- when the Merged Group Stapled Securities are disposed of, the Security-holder will have to separately consider the tax issues associated with the disposal of the Restructured AIT units, AT units and AGHL shares and Restructured AGPL shares.

3.3 Income Distributions from AIT and AT

AIT and AT are not liable to income tax including CGT, provided Security-holders are presently entitled to all of the income of each Trust.

3.3.1 Australian Residents

An Australian resident Security-holder will include in the Security-holder's assessable income the Security-holder's share of the net income of AIT and AT for tax purposes as advised by the responsible entity of each Trust in each year of income.

The Security-holder must include in the Security-holder's assessable income each year the taxable component of the AIT and AT distributions to which the Security-holder is entitled in respect of that year even if the Security-holder does not receive them until after year end or the distributions are reinvested.

To the extent that a net capital gain is included in AIT or AT's net income for tax purposes, the Security-holder will be regarded as having derived a capital gain equal to the Security-holder's proportionate share of such net capital gain. However, where discount capital gains treatment has been applied in calculating the net capital gain at AIT or AT's level, the Security-holder will initially be required to gross-up the amount of the net capital gain (i.e. effectively, reverse the effect of the discount). This is required in order that the appropriate CGT treatment may be applied in accordance with the particular tax profile of the Security-holder (e.g. with respect to the application of any capital losses and discount capital gains treatment; refer 4.3 below).

Where a distribution from AIT or AT exceeds the Security-holder's share of the net income of the relevant trust for tax purposes, the excess may not be immediately taxable but will (unless it relates to the distribution of a discount capital gain) reduce the cost base and reduced cost base of the relevant Restructured AIT units or AT units held by the Security-holder (this excess is often called the tax advantaged or non-assessable component of the distribution). Once the Security-holder exhausts the Security-holder's cost base in the relevant units, the tax advantaged component of distributions will give rise to an immediate capital gain. Certain Security-holders may be eligible for the CGT discount in respect of such capital gains (see 4.3 below). However, any such capital gain will not be entitled to the benefit of the CGT discount in the first 12 months after the acquisition of the units.

In this regard, it should be noted that the Restructured AIT units and AT units acquired pursuant to the Merger will have initial CGT cost bases as outlined at 2 above (i.e. $0.15869 each for Restructured AIT units and $0.001 each for Restructured AGPL shares acquired by APG security-holders and $0.77618 each for AT units and $0.001 each for AGHL shares acquired by ADIF security-holders).

Where a distribution from AIT or AT includes foreign-sourced income and foreign taxes have been paid in relation to this income, Australian resident Security-holders are generally entitled to receive a foreign tax credit for an amount equal to the lesser of the foreign tax paid and the Australian tax payable in respect of such income.

3.3.2 Non-Residents

A non-resident Security-holder, will generally include in the Security-holder's assessable income so much of the Security-holder's share of the net income of AIT and AT for tax purposes as is attributable to sources in Australia.

The responsible entity of AIT or AT (as the case may be) may be required to withhold tax in respect of the taxable component of distributions made to non-resident Security-holders at rates prescribed by the Australian tax legislation (as amended by any applicable double tax treaty Australia has concluded with a non-resident Security-holder's country of residence).

The Security-holder is then required to lodge an Australian income tax return in which the Security-holder reports any Australian sourced taxable income and, subject to a credit for tax paid by the trustee, pay any applicable Australian tax (other than any interest income component of a trust distribution which was subject to final interest withholding tax).

Similar to the position outlined at 3.3.1 above, the tax deferred component of distributions made by AIT or AT will generally reduce the cost base of the relevant units held by the Security-holder. This will only be relevant if any gain the Security-holder makes on the subsequent disposal of the units will be subject to Australian tax (refer 4.4 below).

3.4 Dividends from AGPL and AGHL

3.4.1 Australian Residents

Generally, an Australian resident Security-holder's assessable income will include any franking credits attached to dividends paid by either AGPL or AGHL in addition to the amount of the dividends (even if any of the dividends are reinvested). Where franking credits are included in a Security-holder's assessable income the Security-holder will generally be entitled to a corresponding tax offset in respect of any franking credits included in the Security-holder's assessable income.

Relevantly, to be generally eligible for the franking credit and tax offset, the Security-holder must have held the shares at risk for at least 45 days (not including the date of acquisition or the date of disposal). This rule should not apply to a Security-holder if the Security-holder is an individual whose tax offset entitlement (on all shares and interests in shares held) does not exceed $5,000 for the income year in which the franked dividend is paid.

Where the Security-holder is an individual, complying superannuation entity or a registered charity (in certain circumstances), the Security-holder will generally be entitled to a refund to the extent that the franking credits attached to the Security-holder's dividends exceed the Security-holder's tax liability for the income year.

Where the Security-holder is a corporate shareholder, any franked dividends the Security-holder receives will generally give rise to a franking credit in the Security-holder's franking account.

3.4.2 Non-Residents

Non-resident Security-holders will generally not be assessable on the amount of any dividend received from AGPL or AGHL. However, AGPL and AGHL will be required to withhold tax from the unfranked component of dividends paid to a non-resident Security-holder. The tax withheld will, in the absence of a double tax treaty, be equal to 30% of the unfranked component of dividends paid. This rate may be reduced where the Security-holder is a resident of a country with which Australia has concluded a double tax treaty.

4 Disposal of Merged Group Stapled Securities

4.1 General

As a consequence of Stapling, the component securities comprising a Merged Group Stapled Security may not be traded separately. However, as discussed above at 3.2, each security is a separate CGT asset. Accordingly, where there is a disposal of a Merged Group Stapled Security, there will also necessarily be a disposal for CGT purposes in respect of each of the individual securities comprising that Merged Group Stapled Security. That is, where a Merged Group Stapled Security is disposed of, it will have to be accounted for as the disposal of a Restructured AIT unit, a Restructured AGPL share, an AT unit and an AGHL share.

Where consideration is received in connection with a transaction that relates to more than one CGT asset, the capital proceeds for each asset is so much of the total consideration as is reasonably attributable to that asset.

Accordingly, the capital proceeds referable to the disposal of each individual security will be determined by apportioning the total capital proceeds received in respect of the disposal of the Merged Group Stapled Security on a reasonable basis.

4.2 Australian Resident Taxpayers

Upon disposal of a Merged Group Stapled Security, a Security-holder will make a capital gain if:

- the portion of the consideration reasonably attributable to a Restructured AIT unit exceeds the cost base of the Restructured AIT unit;
- the portion of the consideration reasonably attributable to a Restructured AGPL share exceeds the cost base of the Restructured AGPL share;
- the portion of the consideration reasonably attributable to an AT unit exceeds the cost base of the AT unit; and/or

- the portion of the consideration reasonably attributable to the AGHL share exceeds the cost base of the AGHL share.

A Security-holder will make a capital loss if:

- the portion of the consideration reasonably attributable to a Restructured AIT unit is less than the reduced cost base of the Restructured AIT unit;
- the portion of the consideration reasonably attributable to a Restructured AGPL share is less than the reduced cost base of the Restructured AGPL share;
- the portion of the consideration reasonably attributable to an AT unit is less than the reduced cost base of the AT unit; and/or
- the portion of the consideration reasonably attributable to the AGHL share is less than the reduced cost base of the AGHL share.

In broad terms, the cost base of a Restructured AIT unit, Restructured AGPL share, AT unit and AGHL share is generally the amount the Security-holder paid for them (including incidental costs of acquisition and disposal) less any reductions for the tax advantaged component of distributions received (such as in the case of the stapling distributions to AIT unitholders and AT unitholders outlined at 2.1.2 and 2.2.1 above). The initial cost bases of the AT units, AGHL shares, Restructured AIT units and Restructured AGPL shares acquired pursuant to the Merger are outlined at 2 above.

Security-holders will have to determine the basis of apportionment of the sale proceeds across the Restructured AIT units, Restructured AGPL shares, AT units and AGHL shares.

4.3 CGT concessions

The taxable amount of any capital gain may be reduced if certain CGT concessions apply.

4.3.1 CGT discount

If a Security-holder is an individual or a trustee and acquired (or is taken to have acquired) for CGT purposes Restructured AIT units, Restructured AGPL shares, AT units or AGHL shares at least 12 months prior to the date of their disposal (or other eligible CGT event happening in relation to the relevant security), the amount of the Security-holder's capital gain is reduced by the relevant CGT discount. In calculating the Security-holder's capital gain, the cost base must not be indexed.

As outlined above, Restructured AIT units or Restructured AGPL shares are taken to be acquired when the Existing AIT units or Existing AGPL shares, respectively, were originally acquired by the Security-holder (i.e. they are not treated as being acquired at the time of the conversion of the Existing AIT units and Existing AGPL shares). Importantly, in calculating the period of 12 months for CGT purposes, Restructured AIT units, Restructured AGPL shares, AT units or AGHL shares acquired pursuant to the Merger are considered to have been acquired on the Implementation Date in the hands of Security-holders.

If a Security-holder who is an individual or trustee applies the CGT discount method, the Security-holder's taxable capital gain (after offsetting any current year capital losses or carry forward net capital losses from previous years) will be reduced by one-half (or one-third if the Security-holder is a trustee of a complying superannuation entity, approved deposit fund or pooled superannuation fund).

If the Security-holder is a company, the CGT discount is not available. The Security-holder will be entitled to index the cost base (see below).

4.3.2 Indexed cost base

For Restructured AIT units, Restructured AGPL shares, AT units or AGHL shares acquired (or taken to have been acquired) prior to 21 September 1999, for CGT purposes, Security-holders (other than those who are eligible for the CGT discount, outlined above) may choose to calculate any capital gain on disposal using a cost base indexed for inflation. If the Security-holder makes a capital loss, the reduced cost base is not indexed. The cost base may only be indexed for inflation up to 30 September 1999.

Security-holders who choose to calculate the capital gain using an indexed cost base cannot apply the CGT discount to the capital gain.

4.4 Non-Resident Taxpayers

There will be CGT consequences for a non-resident Security-holder on disposal of Merged Group Stapled Securities if any of the components of the Merged Group Stapled Security have the necessary connection with Australia. Securities will have the necessary connection with Australia if the Security-holder (together with the Security-holder's associates) has held (at any time during the 5 years preceding the date of disposal) at least 10% of any of the AIT units, AGPL shares, AT units or AGHL shares on issue. Where the Security-holder is a resident of a country with which Australia has concluded a double tax treaty, the Security-holder may also be entitled to relief from Australian tax pursuant to the terms of the treaty.

If treaty relief is not available, the Security-holder may be eligible for the CGT discount or indexation as described above for Australian resident taxpayers.

5 Goods and Services Tax ("GST")

No GST should generally be payable in respect of the transactions outlined above, including the conversion of the Existing AIT units, the conversion of the Existing AGPL shares or the acquisition of the AGHL shares, AT units, Restructured AIT units or Restructured AGPL shares pursuant to the Merger. As these all involve dealings with securities, the various supplies will be input taxed (i.e. not subject to GST).

There may be an indirect GST cost for Security-holders who are registered for GST as input tax credits will generally not be available for GST charged to the acquirer in respect of supplies relating to the dealings with these securities (e.g. legal and other adviser fees).

6 Other Issues

Australian resident security-holders must generally notify AGHL, AGPL and the responsible entity for each of AIT and AT of their Australian Tax File Number (or Australian Business Number if the Merged Group Stapled Securities are held by the Security-holder in the course of carrying on an enterprise). If the required notifications are not provided, tax will be deducted from gross distributions made by AIT and AT and from the unfranked component of dividends paid by AGHL and AGPL. The current rate of withholding will be 48.5% of the payment. However, Security-holders will be entitled to claim an income tax credit/refund (as applicable) in respect of the tax withheld in their income tax returns.

Yours faithfully
GREENWOODS & FREEHILLS PTY LIMITED

Greenwoods & Freehills Pty Limited

9 MERGER MECHANICS

9.1 Overview

The Merger will create a common investor base in ADIF and APG.

The Merger, if approved, will be achieved by a consolidation of ADIF securities according to the Merger ratio, distributions by AT and AIT, subscription and issues of securities by each Merger Entity to investors in each other entity and the Stapling of the securities of the Merger Entities together with amendments to the existing constitutions of the Merger Entities.

9.2 Merger ratios

The Merger ratios determine the entitlement of ADIF security-holders and APG security-holders to Merged Group Stapled Securities and are as follows:

Existing securities	Merger ratio	Number of Merged Group Stapled Securities per 1,000 existing securities
ADIF securities	0.78	780
APG securities	1.00	1,000

The Merger ratio was ascertained from the relative value contributed by ADIF security-holders and by APG security-holders to the Merged Group. This value has been determined by the boards of Abacus, AGHL and AGPL based on a number of factors, including the relative value, current distributions and future prospects of each entity.

The Independent Expert has concluded that the Merger ratio represents a fair balance between the APG security-holders and the ADIF security-holders, each as a group of investors, having regard to their respective assessed contributions of value to the Merged Group.

Accordingly, there will be an adjustment to the number of ADIF securities (AIT units and AGPL shares) on issue immediately prior to the Merger to ensure that the percentage ownership interests of the APG security-holders and ADIF security-holders reflect the Merger ratio.

9.3 Stapling

Stapling will be achieved through the Stapling Deed and by including provisions in the constitutions of each of the Merger Entities requiring that:

- a transfer of shares or units in any of the Merger Entities can only be completed if it is accompanied by a transfer of an equal number of shares and units in the other three entities; and
- any issue, repurchase or redemption of shares or units by one entity must be matched by an issue, repurchase or redemption of an equal number of shares and units in the other three entities.

On the basis that, after the Merger, the Merger Entities will have:

- identical investors with identical proportionate interests in each entity;
- the same management; and
- will trade jointly on ASX and will not be able to be traded or dealt with separately, the constitutions together with the Stapling Deed require that the Merger Entities co-operate with each other in conducting their affairs. Specifically:
- Merged Group Stapled Security-holders will receive combined annual and other reports; and
- Merged Group Stapled Security-holders will receive one distribution and/or dividend payment each quarter.

However, AT units, AGHL shares, Restructured AIT units and Restructured AGPL shares will remain as separate assets for Australian tax purposes. The Taxation Report in section 8 sets out details of the taxation consequences of holding and selling Merged Group Stapled Securities.

9.4 Entitlement to Merged Group Stapled Securities

For the purpose of identifying APG security-holders entitled to participate in the Merger, dealings in APG securities will only be recognised if:

(a) in the case of dealings to be effected using CHESS, the transferee is registered in the AGHL Register as holder of the relevant AGHL shares on or before the Stapling Record Date; and

(b) in all other cases, if registrable transmission applications or transfers in respect of those dealings are received on or before the Stapling Record Date, at the place where the AGHL Register is kept.

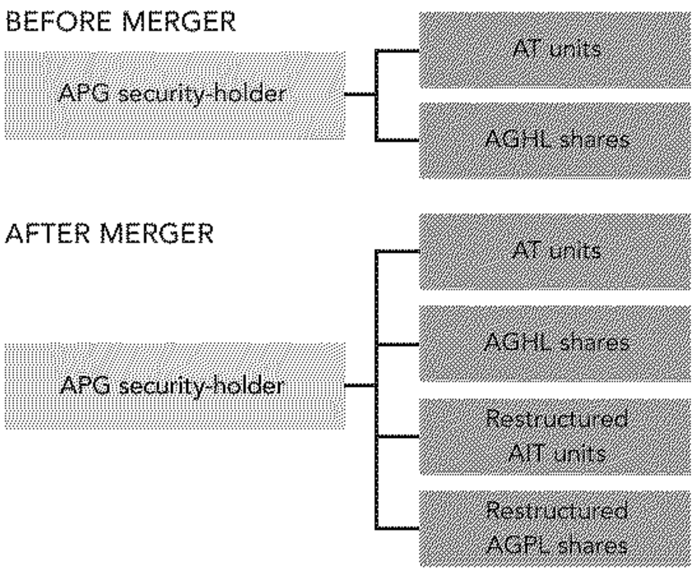
For the purpose of identifying ADIF security-holders entitled to participate in the Merger on the Stapling Record Date, dealings in Existing AIT units will be recognised if registrable transmission applications or transfers in respect of those dealings are received by the ADIF Preliminary Record Date at the place where the AIT Register is kept.

9.5 Implementation of the Merger for APG security-holders

If the Merger proceeds, APG securities will be suspended from trading on the Effective Date. On the Implementation Date, APG security-holders will receive one Merged Group Stapled Security for each APG security held on the Stapling Record Date.

For example, if you held 1,000 APG securities on the Stapling Record Date, after the Implementation Date you will hold 1,000 Merged Group Stapled Securities, comprising 1,000 AT units, 1,000 AGHL shares, 1,000 Restructured AIT units and 1,000 Restructured AGPL shares.

If the Merger is implemented, the position of APG security-holders before and after the Merger is illustrated below:



The Merged Group Stapled Securities may be sold on ASX after the Implementation Date.

Foreign security-holders are not eligible to receive Merged Group Stapled Securities. If a Foreign security-holder is the registered holder on the Stapling Record Date, legal title to the APG securities will be transferred to the Stockbroker on the Stapling Record Date who will then sell the Merged Group Stapled Securities under the Sale Facility after the Implementation Date and the Foreign security-holder will receive a payment. See section 9.7 of the Explanatory Memorandum.

9.5.1 Merger process for APG securities

On the Implementation Date, Abacus will make a distribution of $0.15969 per AT unit to the AT unitholders as at the Stapling Record Date and will apply, on behalf of each AT unitholder:

(a) to AGPL and Abacus for the issue of one Restructured AGPL share and one Restructured AIT unit for each AT unit held by the AT unitholder; and

(b) the distribution of $0.15969 per AT unit payable on the Implementation Date as follows:

(i) $0.001 to subscribe for each Restructured AGPL share for which that AT unitholder applies to AGPL under paragraph (a); and

(ii) $0.15869 to subscribe for each Restructured AIT unit for which that AT unitholder applies to Abacus under paragraph (a).

On the Implementation Date, Abacus and AGHL must upon receipt of an application by Abacus (on behalf of the ADIF security-holders) together with payment of the total issue price:

(a) issue to the ADIF security-holders on the Implementation Date:

(i) one AT unit at an issue price of $0.77618; and

(ii) one AGHL share at an issue price of $0.001,for each Restructured ADIF security held; and

(b) enter in the AGHL Register and the AT Register the name and address of each ADIF security-holder as the holder of AT units and AGHL shares issued to it.

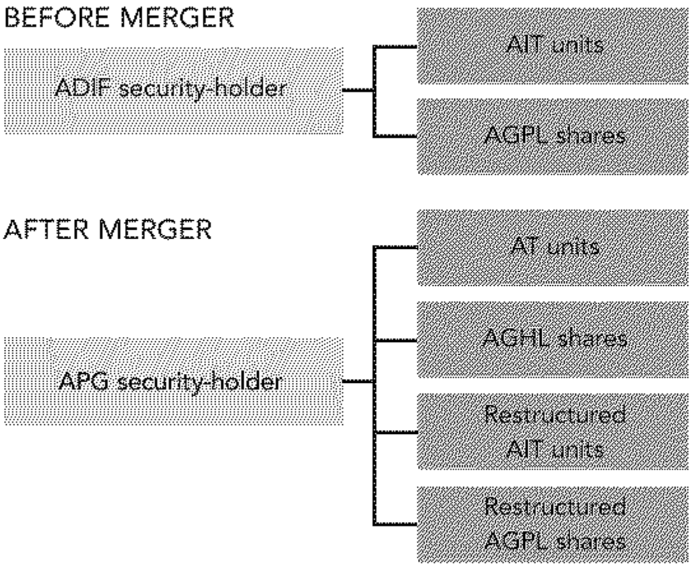
The provisions of the Stapling Deed will then take effect and, by operation of the Stapling Deed together with the AT and AGHL constitutions, each APG security held by the APG security-holder will become Stapled to one ADIF security to form the Merged Group Stapled Securities.

9.6 Implementation of the Merger for ADIF security-holders

If the Merger proceeds, on the Implementation Date, existing ADIF securities will be consolidated to 0.78 ADIF securities. ADIF security-holders will receive one Merged Group Stapled Security for each consolidated ADIF security held on the Stapling Record Date.

For example, if you hold 1,000 ADIF securities on the Stapling Record Date, you will hold 780 Merged Group Stapled Securities after the Merger is implemented made up of 780 AT units, 780 AGHL shares, 780 Restructured AIT units and 780 Restructured AGPL shares.

If the Merger is implemented, the position of ADIF security-holders before and after the Merger is illustrated below:



The Merged Group Stapled Securities may be sold on the ASX after the Implementation Date. The last date for registration of transfers of ADIF securities prior to the Merger will be 10 March 2006.

Foreign security-holders are not eligible to receive Merged Group Stapled Securities. If a Foreign security-holder is the registered holder on 10 March 2006, the legal title to the ADIF securities will be transferred to the Stockbroker on the Stapling Record Date, who will then sell the Merged Group Stapled Securities under the Sale Facility after the Implementation Date and the Foreign security-holder will receive a payment. See section 9.7 of the Explanatory Memorandum.

9.6.1 Merger process for ADIF securities

On the Implementation Date, Abacus and AGPL must convert each Existing AIT unit into 0.78 Restructured AIT units and each AGPL share into 0.78 Restructured AGPL shares with each holding being rounded up to the nearest whole number of Restructured AGPL shares and Restructured AIT units.

On the Implementation Date, Abacus will, immediately following the conversion of Existing AIT units, make a distribution of $0.77718 per Restructured AIT unit to the AIT unitholders as at the Stapling Record Date and will apply, on behalf of each AIT unitholder:

(a) to AGHL and Abacus for the issue of one AGHL share and one AT unit for each Restructured AIT unit held by the AIT unitholder; and

(b) the distribution of $0.77718 per AIT unit payable on the Implementation Date as follows:

  (i) $0.001 to subscribe for each AGHL share for which that AIT unitholder applies to AGHL under paragraph (a); and

  (ii) $0.77618 to subscribe for each AT unit for which that AIT unitholder applies to Abacus under paragraph (a).

On the Implementation Date, Abacus and AGPL must upon receipt of an application by Abacus (on behalf of the APG security-holders) together with payment of the total issue price:

(a) issue to the APG security-holders on the Implementation Date:

  (i) one Restructured AIT unit at an issue price of $0.15869; and

  (ii) one Restructured AGHL share at an issue price of $0.001, for each APG security held; and

(b) enter in the AGPL Register and the AIT Register the name and address of each APG security-holder as the holder of AIT units and AGPL shares issued to it.

The provisions of the Stapling Deed will then take effect and, by operation of the Stapling Deed together with the AIT and AGPL constitutions, each Restructured ADIF security held by the ADIF security-holder will become Stapled to one APG security to form one Merged Group Stapled Security.

9.7 Foreign security-holders

Restrictions in certain foreign countries make it impractical or unlawful to offer or receive securities in those countries. Accordingly, none of the Merger Entities will issue securities to a Foreign security-holder. All Foreign security-holders will receive cash for their securities.

A Foreign security-holder is an APG security-holder on the Stapling Record Date or ADIF security-holder on the ADIF Preliminary Record Date who:

- has a registered address which is outside Australia or New Zealand; or
- is a citizen or a resident of a jurisdiction outside Australia or New Zealand or is otherwise in such jurisdiction.

Foreign security-holders who hold APG securities or ADIF securities will have their legal title to (but not their beneficial interest in) their securities transferred to the Stockbroker on the Stapling Record Date. For the purpose of implementing the Merger, the Stockbroker will be taken to be the holder of those APG securities or ADIF securities transferred to the Stockbroker on the Stapling Record Date.

All of the Merged Group Stapled Securities held by the Stockbroker on behalf of the Foreign security-holders will participate in the sale facility. Within 10 Business Days of the Implementation Date, the Stockbroker will sell all the Merged Group Stapled Securities held by it under the Sale Facility on behalf of Foreign security-holders in one or more tranches as the Stockbroker considers appropriate in order to try to maximise the sale price.

Within 5 Business Days of the completion of the sale of the Merged Group Stapled Securities by the Stockbroker, the Stockbroker will pay the Foreign security-holders the volume weighted average sale price realised by the Stockbroker multiplied by:

(a) in relation to APG security-holders, the number of APG securities held by the Foreign security-holder and transferred to the Stockbroker; and

(b) in relation to ADIF security-holders, the number of Restructured ADIF securities referrable to the ADIF securities held by the Foreign security-holder and transferred to the Stockbroker.

No assurance is given as to the sale price to be set for Merged Group Stapled Securities under this process. The sale price may differ from the price at which Merged Group Stapled Securities commence trading on ASX and may be adversely affected by the requirement for the sale to be completed within 10 Business Days following the Implementation Date.

Foreign security-holders may obtain information on the number of Merged Group Stapled Securities held by the Stockbroker on their behalf to be sold under the Sale Facility and up-to-date price information in relation to their Merged Group Stapled Securities by telephoning Abacus on 61 2 9253 8600 or emailing enquiries@abacusproperty.com.au.

This sale process differs from selling securities in the ordinary course on the ASX because:

- no brokerage or other fees are payable by you;
- you have no control over the final sale price; and
- the sale only occurs if the Merger proceeds.

Foreign security-holders will be paid by cheque in Australian dollars.

As an alternative, Foreign security-holders who hold APG securities may choose to sell their securities on the ASX prior to 17 March 2006. This day may be changed if there is a delay in obtaining the necessary approvals. A public announcement will be made of any new date. After that last day, trading on the ASX will only be in Merged Group Stapled Securities.

Information on the price of APG Securities and, if and when the Merger is approved, the Merged Group Stapled Securities can be obtained from the ASX website www.asx.com.au.

9.8 Security-holders who do not wish to participate in the Merger

ADIF security-holders who do not wish to participate in the Merger may seek to sell their ADIF securities at any time[1]. However, transfers will not be registered after 10 March 2006.

ADIF security-holders who transfer their ADIF securities before the ADIF Preliminary Record Date will not be entitled to receive the distribution for the quarter ending 31 March 2006 if the transfer is registered before the ADIF Preliminary Record Date.

APG security-holders who do not wish to participate in the Merger may sell their APG securities on the ASX on or before the last day of trading in APG securities.
Please note that the meetings to consider the Merger are on 14 February 2006 and the last day of trading in APG securities is 17 March 2006.

APG security-holders who transfer their APG securities before the Stapling Record Date will not be entitled to receive the distribution for the quarter ending 31 March 2006 if the transfer is registered before the Stapling Record Date.

All security-holders may sell their Merged Group Stapled Securities on ASX after the Implementation Date.

1. ADIF securities are illiquid. ADIF security-holders have no right to require that their interest be bought or redeemed by Abacus or anyone else.

9.9 Stapling Deed

AGHL, AGPL and Abacus as responsible entity of AT and AIT will enter into a Stapling Deed on or about the ADIF Preliminary Record Date which sets out the terms of the relationship between the parties in respect of the Merged Group Stapled Securities.

The parties must co-operate with each other in connection with all matters concerning the Merged Group Stapled Securities and provide reasonable assistance to each other in the performance of their obligations. Specifically, they must co-ordinate their statutory disclosures, adopt consistent accounting and valuation policies, maintain the same auditor, maintain a majority of common directors, have consistent investment and borrowing policies and agree on the timing and terms of new issues, bonus and rights issues, placements, redemption and buy-backs of Merged Group Stapled Securities.

While Stapling applies, the parties may, in exercising any power of discretion, have regard to the interests of holders of Merged Group Stapled Securities as a whole and not only to the interests of shareholders or unitholders (as the case may be) alone.

The shares and units will be Stapled in a 1:1:1:1 ratio to form Merged Group Stapled Securities. None of the parties may issue, sell, cancel, vary or transfer any shares or units (or rights to shares or units) unless corresponding shares or units or rights in the other members of the Merged Group are also issued, sold, cancelled or transferred at the same time.

While Stapling applies, each party must, to the extent permitted by law, and if called upon by the other party, procure that it and any of its controlled entities extend financial benefits to each other, including by way of lending money, giving guarantees or engaging in joint borrowing.

The parties are required to agree on what part of the amount payable for the issue, redemption or buy-back of (or option to subscribe for) a Merged Group Stapled Security is to represent and the price payable for the issue, redemption or buy-back (or option to subscribe) for each of the units and shares comprising the Merged Group Stapled Security. This is done on the basis of the relative fair values of the unit and share components of the Merged Group Stapled Security agreed between the parties prior to the issue, redemption, buy-back or granting of the Merged Group Stapled Security or option.

9.10 Implementation Deed

AGHL, AGPL and Abacus as responsible entity of AT and AIT entered into a deed titled the Implementation Deed on 7 December 2005. The Deed regulates the basis on which the Merger will be implemented.

A summary of some of the main points of the Implementation Deed are as follows:

(a) **(Agreement to implement the Merger)** each of the parties agree to use all reasonable endeavours to give effect to the Merger including to prepare and assist in preparing and lodging all documents necessary;

(b) **(Obligations)** the main obligations of the parties are:

- (i) Abacus agrees to apply to the Court for judicial advice;
- (ii) the parties agree to convene the required security-holder and board meetings; and
- (iii) apply for official quotation of the Merged Group Stapled Securities on ASX.

(c) **(termination rights)** the Implementation Deed will terminate if:

- (i) **(Judicial advice)** judicial advice is not given in substantially the same form as set out in the schedule to the Implementation Deed;
- (ii) **(Security-holder resolutions)** the ADIF security-holders and APG security-holders do not approve by special resolution all the resolutions to be considered at the ADIF security-holders' meeting and APG security-holders' meeting;
- (iii) **(ASX consent)** Merger Entities do not receive conditional consent from the ASX to grant official quotation of the Merged Group Stapled Securities on terms satisfactory to the parties;
- (iv) **(OSR)** the New South Wales Office of State Revenue does not stamp the transfers of the ADIF securities from Foreign security-holders to the Stockbroker by the Stapling Record Date;
- (v) **(ATO)** the Australian Taxation Office does not provide the confirmation in the terms sought by Greenwoods & Freehills Pty Limited envisaged by the Taxation Report, or otherwise on a basis considered by the directors of Abacus, AGHL and AGPL to be acceptable;
- (vi) **(material breach)** a party commits a material breach of the Implementation Deed;
- (vii) **(insolvency event)** a party becomes the subject of an insolvency event (as defined in the Implementation Deed); and
- (viii) **(breach of warranties and representations)** a warranty or representation given by a party under the Implementation Deed is not materially true and correct.

(d) **(limitation of liability)** the liability of Abacus arising under or in connection with this document is limited to and can be enforced against Abacus only to the extent Abacus is actually indemnified for the liability, except where the liability arises as a result of Abacus's fraud, negligence or breach of trust.

9.11 Constitutions of the Merger Entities

9.11.1 Abacus Trust constitution

The existing AT constitution and the proposed modified AT constitution are available for inspection at the registered offices of Abacus until the time of the meeting. A copy will be made available upon request free of charge by calling Abacus on 1800 253 860.

In summary, the key proposed changes to the AT constitution include the following:

(1) The proposed modified AT constitution reflects AT's obligations under the Stapling Deed. The key changes to the AT constitution to provide for Stapling includes the following:

(a) certain definitions have been added or modified in the proposed modified AT constitution as a result of the Stapling of APG securities to ADIF securities (Clause 2.1);

(b) certain clauses have been modified to account for the definitional changes and for the Stapling of APG securities to ADIF securities;

(c) the term "Share" in the existing AT constitution has been replaced with the term "Attached Security" in the proposed modified AT constitution;

(d) the proposed modified AT constitution makes the following provision for determining the issue price for rights issues:

(i) where the AT units form part of Merged Group Stapled Securities, are officially quoted on the ASX and have not been suspended from quotation, the issue price must, when aggregated with the issue price of the Attached Securities, be the current market value of the Merged Group Stapled Securities or, where permitted by, and subject to the conditions of, any ASIC relief or if any Circumstance applies, such other price as determined by the responsible entity of AT, but not less than 50% (previously 80%) of the current market value of the Merged Group Stapled Securities; or

(ii) where the AT units have been suspended from official quotation on the ASX or have ceased to be officially quoted, the issue price must be the current unit value of the AT Unit or, where permitted by, and subject to the conditions of, any ASIC relief or if any Circumstance applies, such other price as determined by the responsible entity of AT, but not less than 50% (previously 80%) of the current unit value of the AT unit (Clause 5.3);

(e) the proposed modified AT constitution makes the following provision for determining the issue price for income reinvestment:

(i) where the AT units form part of Merged Group Stapled Securities, are officially quoted on the ASX and have not been suspended from quotation, the issue price must, when aggregated with the issue price of the Attached Securities, be the current market value of the Merged Group Stapled Securities or, where permitted by, and subject to the conditions of, any ASIC relief or if any Circumstance applies, such other price as determined by the responsible entity of AT, but not less than 50% (previously 80%) of the current market value of the Merged Group Stapled Securities; or

(ii) where the AT units have been suspended from official quotation on the ASX or have ceased to be officially quoted, the issue price must be the current unit value of the AT unit or, where permitted by, and subject to the conditions of, any ASIC relief or if any Circumstance applies, such other price as determined by the responsible entity of AT, but not less than 50% (previously 80%) of the current unit value of the AT Unit (Clause 5.4);

(f) the proposed modified AT constitution makes the following provision for determining the issue price for placements:

(i) subject to sub-paragraph (iii), where the AT units form part of Merged Group Stapled Securities, are officially quoted on the ASX and have not been suspended from quotation, the issue price, when aggregated with the issue price of the Attached Securities, is the current market value of the Merged Group Stapled Securities on the day preceding the day on which the intention to make the offer or issue is announced to the ASX or, where permitted by, and subject to the conditions of, any ASIC relief or if any Circumstance applies, such other price determined by the responsible entity; or

(ii) where the AT units have been suspended from official quotation on the ASX or have ceased to be officially quoted, the issue price is the current unit value of the AT units on the day preceding the offer or issue date or, where permitted by, and subject to the conditions of, any ASIC relief or if any Circumstance applies, such other price determined by the responsible entity (Clause 5.5);

(iii) Where the AT units are to be issued in the Circumstance set out in subsection 601GAA(2A) of the Corporations Act as notionally inserted in the Corporations Act by Class Order [CO 05/26] as modified or varied by any relief, the responsible entity of AT must ensure that either of the following applies:

(I) *both of the following applies:*

(A) the issue, together with any related issue, in the previous year does not, immediately before the issue, comprise more than 15% of the AT units in that class;

(B) the amount by which the issue price of the Merged Group Stapled Securities of which the AT units form a component part is less than the current market value of Merged Group Stapled Securities does not exceed 10% of the current market value; or

(II) *all of the following apply:*

(A) AT unitholders who hold Merged Group Stapled Securities of which the AT units form a component part approve the issue by a placement resolution;

(B) unless the responsible entity of AT reasonably considers that the issue will not adversely affect the interests of members in another class -- members in that other class approve the issue by a placement resolution;

(C) any notice convening a meeting to vote on the issue contains particulars of the use to be made of the money raised by the issue (Clause 5.5(c)). Note that "related issue" and "placement resolution" have been defined in Clause 5.5(c) of the proposed modified AT constitution);

(g) the proposed modified AT constitution provides that AGHL, AGPL, and the responsible entity of AT and AIT may determine the manner in which the issue price is apportioned between an AGHL share, an AGPL share, an AIT unit and an AT unit (Clause 5.7);

(h) the proposed modified AT constitution states that terms and conditions applicable to the Stapling will be agreed between AGHL, AGPL, and the responsible entity of AT and of AIT (Clause 6.1(b));

(i) the proposed modified AT constitution provides that Clauses 6.4(a)--(e), inclusive, relating to the Stapling of AT units, apply with necessary modifications to the issue, offer, sale or reorganisation of options in AT (Clause 6.4);

(j) if the responsible entity of AT receives a transfer of an Attached Security unaccompanied by a transfer of an AT unit to which it is Stapled, or transfers of the other Attached Securities to which the AT unit is Stapled, the responsible entity of AT can effect a transfer to the same transferee of the AT unit or those other Attached Securities (as the case may be) (Clause 6.5(c));

(k) the Merged Group Stapled Securities will become Unstapled:

(i) if AGPL is liquidated or ceases to exist, in which case the Unstapling date is the date when AGPL is liquidated or ceases to exist;

(ii) on the termination of AIT, in which case the Unstapling date is the date of termination of AIT (as the case may be); or

(iii) if AT unitholders resolve by special resolution to Unstaple the Merged Group Stapled Securities and AGHL, AGPL, and the responsible entity of AT and of AIT enter into a written agreement to Unstaple, in which case the Unstapling date remains as the date of the written agreement,

whichever occurs first (Clauses 6.6 and 6.7) ;

(l) prior to the Unstapling date, the proposed modified AT constitution requires that the consent of AGHL, AGPL and the responsible entity of AIT be obtained in relation to amendments to the proposed modified AT constitution, which affects the terms on which AT units are Stapled or removes any restriction on the transfer of a Merged Group Stapled Security, subject to Clause 6.8(b) (Clause 6.8);

(m) the issue price of an AT unit pursuant to the exercise of an option to subscribe for an AT unit must not be less than 50% of the current market value of Merged Group Stapled Securities (as opposed to 80% in the existing AT constitution) on a day specified in the proposed modified AT constitution (Clause 7.1);

(n) a partly paid AT unit forming part of a Merged Group Stapled Security is now not credited or treated as fully paid until the responsible entity of AT and of AIT has received all unpaid money in relation to that AT unit and the AIT unit, respectively, and AGHL and AGPL have received all unpaid money in relation to AGHL shares and AGPL shares to which it is Stapled (Clause 8.3); and

(o) the addition of a restructure clause in the proposed modified AT constitution to take into account the various changes which will occur as a result of the Merger (Clause 35). The new Clause 35 includes the following provisions:

(i) a clause that empowers the responsible entity of AT to do anything which it considers necessary, desirable or reasonably incidental to give effect to the Merger in accordance with the Implementation Deed (Clause 35.1);

(ii) a clause that sets out the various express powers of the responsible entity of AT with respect to the Merger including, but without limitation, power to pay to each AT unitholder a capital distribution of $0.15969 per unit held, to apply that distribution to subscribe for, on behalf of the AT unitholder, one Restructured AIT unit and one Restructured AGPL share, and to procure that the Attached Securities are registered in the name of the relevant AT unitholder (Clause 35.2);

(iii) a clause to the effect that where AT unitholders are Foreign security-holders, they must transfer legal title to (but not beneficial interest in) AT units and AGHL shares to the Stockbroker under the Sale Facility who will receive the distribution on behalf of the AT unitholder, receive the Restructured AIT units and Restructured AGPL shares, then sell the Merged Group Stapled Securities and pay the proceeds of sale to the AT unitholder (Clause 35.3);

(iv) a clause which states that the responsible entity of AT is irrevocably appointed the agent and attorney for AT unitholders to do all things it considers are necessary, desirable or reasonably incidental to give effect to the Merger (Clause 35.4);

(v) a clause which sets out that the responsible entity of AT, as agent and attorney of each AT unitholder, is able to receive and apply the distributions (referred to in paragraph 1(o)(ii) above), execute an application form in relation to the Restructured AIT units and Restructured AGPL shares, act in accordance with the Sale Facility clause (Clause 35.3) and execute transfers of APG securities which are to be the subject of the Sale Facility (Clause 35.5);

(vi) a clause which authorises the responsible entity of AT to act in accordance with Clause 35 without obtaining the authority or approval from AT unitholders, even if it has an interest in the outcome of such exercise (Clause 35.6);

(vii) a limitation of liability clause for the responsible entity of AT when exercising its powers in connection with the implementation of the Merger in accordance with the Implementation Deed (Clause 35.7); and

(viii)a clause containing definitions for the purpose of interpreting and understanding the new Clause 35 (Clause 35.8).

(2) The proposed modified AT constitution achieves consistency with the proposed modified AGHL constitution, the proposed new AGPL constitution and the proposed new AIT constitution, particularly with respect to using the appropriate references for each different entity and securities in each constitution.

(3) The proposed modified AT constitution provides that the issue price for units will be the current unit value on the date of issue or sale or a price set by the responsible entity of AT, where permitted by or subject to the conditions of any ASIC relief or if any Circumstance applies. In addition, transaction costs will be added to the issue price as determined and included by the responsible entity, in accordance with any relief (Clause 5.2).

9.11.2 Abacus Group Holdings Limited constitution

The existing AGHL constitution and the proposed modified AGHL constitution are available for inspection at the registered offices of Abacus until the time of the meeting.
A copy will be made available upon request free of charge by calling Abacus on 1800 253 860.

In summary, the key proposed changes to the AGHL constitution include the following:

(1) The proposed modified constitution reflects AGHL's obligations under the Stapling Deed. The key changes to the AGHL constitution to provide for Stapling includes the following:

(a) certain definitions have been added or modified in the proposed modified AGHL constitution as a result of the Stapling of APG securities to ADIF securities (Clause 1.1);

(b) certain clauses have been modified to account for definitional changes, for instance, the term "share" in Clauses 5.5 and 34 titution;

(c) a partly paid AGHL ordinary share forming part of a Merged Group Stapled Security is now not credited or treated as fully paid until AGHL has received all unpaid money in relation to that ordinary share, and AGPL and the responsible entity of AT and of AIT have received all unpaid money in relation to the Attached Securities to which it is Stapled (as opposed to just the responsible entity of AT as in the existing AGHL constitution) (Clause 5.5);

(d) the term "Unit" in Clause 34 of the existing AGHL constitution has been replaced by the term "Attached Security" in the proposed modified AGHL constitution;

(e) if directors of AGHL receive a transfer of an Attached Security unaccompanied by a transfer of the AGHL share to which it is Stapled, or transfers of the other Attached Securities to which the AGHL share is Stapled, the secretary can effect a transfer to the same transferee of the AGHL share or those other Attached Securities (as the case may be) (Clause 34.5(c));

(f) in addition to the Unstapling provisions in Clauses 34.6 and 34.7 of the existing AGHL constitution, the Merged Group Stapled Securities will also become Unstapled if:

(i) AGPL is liquidated or ceases to exist, in which case the Unstapling date is the date when AGPL is liquidated or ceases to exist;

(ii) on the termination of AIT, in which case the Unstapling date is the date of termination of AIT; or

(iii) if the members resolve by special resolution to Unstaple the Merged Group Stapled Securities and AGHL, AGPL and the responsible entity of AT and of AIT enter into a written agreement to Unstaple, in which case the Unstapling date remains as the date of the written agreement, whichever occurs first (Clauses 34.6 and 34.7); and

(g) prior to the Unstapling date, the proposed modified AGHL constitution now requires the consent of AGPL and the responsible entity of AT and of AIT to be obtained in relation to amendments to the proposed modified AGHL constitution, which affects the terms on which AGHL shares are Stapled or removes any restriction on the transfer of a Merged Group Stapled Security, subject to Clause 34.9(b) (Clause 34.9).

(2) The proposed modified AGHL constitution achieves consistency with the proposed modified AT constitution, the proposed new AGPL constitution and the proposed new AIT constitution, particularly with respect to using the appropriate references for each different entity and securities in each constitution.

9.11.3 Abacus Income Trust constitution

The existing AIT constitution and the proposed new AIT constitution are available for inspection at the registered offices of Abacus until the time of the meeting. A copy will be made available upon request free of charge by calling Abacus on 1800 253 860.

In summary, the key proposed changes to the AIT constitution include the following:

Subject	Existing constitution	Proposed new constitution
Definitions	Definitions account for the Stapling of AIT and AGPL only (Clause 2.1).	Definitions have been added or modified as a result of the Stapling of APG securities to ADIF securities and the listing of AIT on the ASX (Clause 2.1). Certain clauses have been modified to account for the definitional changes.
Effect of Stapling	Contains provisions effecting the Stapling of one AIT Unit to one AGPL Share.	Contains provisions effecting the Stapling of one Restructured AGPL share to one AGHL share, one AT unit and one Restructured AIT unit.
Issue Price	Units will be initially issued at $0.95 per AIT Unit, and then the current unit value on the date of issue or sale plus transaction costs as determined by the responsible entity (Clause 5.2).	The issue price will be the current unit value on the date of issue or sale or a price set by the responsible entity of AIT, where permitted by, or subject to the conditions of, any ASIC relief or if any Circumstance applies. In addition, transaction costs will be added to the issue price as determined and included by the responsible entity, in accordance with any relief (Clause 5.2).

Subject	Existing constitution	Proposed new constitution
Issue price for rights issues	The issue price for rights issues must not be less than 80% of the current unit value (Clause 5.4).	The following distinction in relation to the issue price for rights issues applies: (a) where the AIT Units form part of Merged Group Stapled Securities, are officially quoted on the ASX and have not been suspended from quotation, the issue price must, when aggregated with the issue price of the Attached Securities, be the current market value of the Merged Group Stapled Securities, or where permitted by, and subject to the conditions of, any ASIC relief or if any Circumstance applies, such other price as determined by the responsible entity, but not less than 50% (previously 80%) of the current market value of the Merged Group Stapled Securities; or (b) where the AIT units have been suspended from official quotation on the ASX or have ceased to be officially quoted, the issue price must be the current unit value of the AIT Unit, or where permitted by, and subject to the conditions of, any ASIC relief or if any Circumstance applies, such other price as determined by the responsible entity, but must not less than 50% (previously 80%) of the current unit value of the AIT Unit (Clause 5.3).
Issue price for income reinvestment	The issue price for income reinvestment must not be less than 80% of the current unit value on a date determined by the responsible entity (Clause 5.3).	The following distinction in relation to the issue price for income reinvestment applies: (a) where the AIT units form part of Merged Group Stapled Securities, are officially quoted on the ASX and have not been suspended from quotation, the issue price must, when aggregated with the issue price of the Attached Securities, be the current market value of the Merged Group Stapled Securities, or where permitted by, and subject to the conditions of, any ASIC relief or if any Circumstance applies, such other price as determined by the responsible entity, but not less than 50% (previously 80%) of the current

Subject	Existing constitution	Proposed new constitution
		market value of the Merged Group Stapled Securities; or (b) where the AIT units have been suspended from official quotation on the ASX or have ceased to be officially quoted, the issue price must be the current unit value of the AIT Unit, or where permitted by, and subject to the conditions of, any ASIC relief or if any Circumstance applies, such other price as determined by the responsible entity, but not less than 50% (previously 80%) of the current unit value of the AIT Unit (Clause 5.4).
Issue price for placements	The issue price is the current unit value on the day preceding the relevant offer date or a price determined by the responsible entity (Clause 5.5).	The following distinction in relation to the issue price for placements applies: (a) subject to paragraph (c), where the AIT units form part of Merged Group Stapled Securities, are officially quoted on the ASX and have not been suspended from quotation, the issue price, when aggregated with the issue price of the Attached Securities, is the current market value of the Merged Group Stapled Securities on the day preceding the day on which the intention to make the offer or issue is announced to the ASX, or where permitted by, and subject to the conditions of any ASIC relief or if any Circumstance applies, such other price determined by the responsible entity (Clause 5.5(a)); (b) where the AIT Units have been suspended from official quotation on the ASX or have ceased to be officially quoted, the issue price is the current unit value of the AIT Units on the day preceding the offer or issue date, or where permitted by, and subject to the conditions of, any ASIC relief or if any Circumstance applies, such other price determined by the responsible entity (Clause 5.5(b)); (c) Where AIT Units are to be issued in the Circumstance set out in subsection 601GAA(2A) of the Corporations Act as notionally inserted in the Corporations Act by Class Order [CO 05/26] as modified or varied by any relief, the responsible entity must ensure that

Subject	Existing constitution	Proposed new constitution
		either of the following applies: (i) both of the following applies: (A) the issue, together with any related issue, in the previous year does not, immediately before the issue, comprise more than 15% of the AIT Units in that class; (B) the amount by which the issue price of the Merged Group Stapled Securities of which the AIT units form a component part is less than the current market value of Merged Group Stapled Securities does not exceed 10% of the current market value; or (ii) all of the following apply: (A) AIT unitholders who hold Merged Group Stapled Securities of which the AIT units form a component part approve the issue by a placement resolution; (B) unless the responsible entity reasonably considers that the issue will not adversely affect the interests of members in another class – members in that other class approve the issue by a placement resolution; (C) any notice convening a meeting to vote on the issue contains particulars of the use to be made of the money raised by the issue (Clause 5.5(c)). The terms "related issue" and "placement resolution" are defined in Clause 5.5(c).
Apportionment of issue price	N/A	AGHL, AGPL, and the responsible entity of AT and of AIT may determine the manner in which the issue price is apportioned between an AGHL share, an AGPL share, an AIT unit and an AT unit (Clause 5.7).
Issue of AIT Units to the responsible entity	N/A	AIT units may be issued to the responsible entity. The issue price may be satisfied by a waiver or abatement of fees of the responsible entity or otherwise, and the responsible entity must amend the proposed new AIT constitution to reflect the reduction in fees payable to it (Clause 5.8).

Subject	Existing constitution	Proposed new constitution
Stapling provisions		
Stapling Deed	N/A	Reflects AIT's obligations under the Stapling Deed.
Consistency with constitutions of Stapled entities	N/A	Achieves consistency with the proposed modified AT constitution, the proposed new AGPL constitution and the proposed modified AGHL constitution, particularly with respect to using the appropriate references for each different entity and securities in each constitution.
Terms	The Stapling provisions in the existing AIT constitution use the terms "Share" and "Unit", being a share in the capital of AGPL and an AIT unit, respectively.	The Stapling provisions have replaced the term "Share" with the term "Attached Security".
Terms and conditions	Terms and conditions applicable to the Stapling will be agreed between AGPL and the responsible entity (Clause 27.1(b)).	Terms and conditions applicable to the Stapling will be agreed between AGHL, AGPL, and the responsible entity of AT and of AIT (Clause 6.1(b)).
Stapling and options in AIT	N/A	Clauses 6.4(a)–(e) inclusive apply with necessary modifications to the issue, offer, sale or reorganisation of options to subscribe for AIT units (Clause 6.4).
Transfers of securities	If the responsible entity receives an AGPL share unaccompanied by a transfer of an AIT unit to which it is Stapled, the responsible entity can effect a transfer to the same transferee of that AIT unit (Clause 27.5(c)).	If the responsible entity receives a transfer of an Attached Security unaccompanied by a transfer of an AIT unit to which it is Stapled, or transfers of the other Attached Securities to which the AIT unit is Stapled, the responsible entity can effect a transfer to the same transferee of the AIT unit or those other Attached Securities (as the case may be) (Clause 6.5(c)).
Unstapling	The ADIF securities will become Unstapled: (a) if AGPL is liquidated or ceases to exist, in which case the Unstapling date is the date when AGPL is liquidated or ceases to exist; (b) on the termination of AIT, in which case the Unstapling date is the date of termination of AIT; or	The Merged Group Stapled Securities will become Unstapled: (a) if AGPL or AGHL is liquidated or ceases to exist, in which case the Unstapling date is the date when either AGPL or AGHL is liquidated or ceases to exist (as the case may be); (b) on the termination of AT or AIT, in which case the Unstapling date is

Subject	Existing constitution	Proposed new constitution
	(c) if AIT Unitholders resolve by special resolution to Unstaple the ADIF securities and AGPL and the responsible entity enter into a written agreement to Unstaple, in which case the Unstapling date remains as the date of the written agreement, whichever occurs first (Clauses 27.6 and 27.7).	the date of termination of AT or AIT (as the case may be); or (c) if AIT unitholders resolve by special resolution to Unstaple the Merged Group Stapled Securities and AGHL, AGPL, and the responsible entity of AT and of AIT enter into a written agreement to Unstaple, in which case the Unstapling date remains as the date of the written agreement, whichever occurs first (Clauses 6.6 and 6.7).
Variation of Stapling provisions	Prior to the Unstapling date, the consent of AGPL must be obtained in relation to amending the existing AIT constitution, which affects the terms on which AIT units are Stapled or removes any restriction on the transfer of a ADIF Security, subject to Clause 27.8(b) (Clause 27.8).	Prior to the Unstapling date, the consent of AGHL, AGPL and the responsible entity of AT must be obtained in relation to amendments which affect the terms on which AIT units are Stapled or removes any restriction on the transfer of a Merged Group Stapled Security, subject to Clause 6.8(b) (Clause 6.8).
Issue and exercise of options	The responsible entity may issue options at a price it thinks fit (Clause 5.8). No consideration will be payable to exercise an option and the existing AIT constitution discusses the issue price for an AIT unit pursuant to the exercise of an option (Clause 5.9).	Provides more detailed provisions with respect to options, including the issue price of options, and the interest and voting rights of holders of options in AIT (Clause 7).
Partly paid AIT units	N/A	Provides detailed provisions with respect to partly paid AIT units (Clause 8). A partly paid AIT unit forming part of a Merged Group Stapled Security is now not credited or treated as fully paid until the responsible entity of AIT and of AT has received all unpaid money in relation to that AIT unit and the AT unit, respectively, and AGHL and AGPL have received all unpaid money in relation to AGHL shares and AGPL shares to which it is Stapled (Clause 8.3).
Applications and issues	The existing AIT constitution only provides for the application for, and issue of, AIT units (Clause 6).	Provides for the application for, and issue of, AIT units and options in AIT (Clause 9) and contains provisions relating to overseas AIT unitholders and the underwriting of an issue of AIT units or options in AIT (Clauses 9.4 and 9.5).

Subject	Existing constitution	Proposed new constitution
Investment advices	The existing AIT constitution contains clauses in relation to certificates and investment advices and these clauses only relate to AIT units (Clause 7).	Contains clauses relating to investment advices, and AIT units or options in AIT (Clause 10).
Transfers	The existing AIT constitution only refers to AIT units and not options in AIT.	Transfers of AIT units and options in AIT must now be made in the manner and form required by the responsible entity or the ASX, if listed (Clause 14.1). The responsible entity may refuse to register a transfer of AIT units or options in AIT, but may only do so if permitted by the Listing Rules where they are officially quoted on the ASX (Clause 14.3).
Redemption	Subject to the existing AIT constitution, the responsible entity must not redeem AIT units (Clause 12.1).	Subject to the proposed new AIT constitution, the responsible entity is not obliged to redeem or buy-back AIT units. Contains provisions relating to withdrawing from AIT whilst it is not liquid within the meaning of the Corporations Act pursuant to withdrawal offers which may be made by the responsible entity at its discretion (Clause 15).
Winding-up	AIT may be wound up under the Corporations Act or by the responsible entity giving at least 2 months notice to AIT unitholders (Clause 13.1).	AIT may be wound up under the Corporations Act or Listing Rules or by the responsible entity with the prior approval of the AIT unitholders (Clause 16.1).
Responsible entity's powers	Contains clauses outlining the powers of the responsible entity (Clause 14.1).	In addition to its existing powers, the responsible entity can make loans and act as trustee of sub-trusts of AIT (Clauses 17.1(f) and (i)).
Establishment fee	Provides that the responsible entity will receive an establishment fee of $250,000 in relation to establishing the business structure of ADIF (Clause 16.3B).	N/A
GST	N/A	Contains a provision relating to GST in respect of any taxable supply by the responsible entity (Clause 19.10).

Subject	Existing constitution	Proposed new constitution
Removal of responsible entity	The responsible entity must retire in any of the circumstances specified in the Corporations Act (Clause 17.1).	The responsible entity must retire in accordance with the Corporations Act or the Listing Rules (Clause 20.1).
Change of name of AIT	Should the responsible entity cease to be, or to be a related body corporate of Abacus Funds Management Limited, the name of AIT must be changed to a name not containing the word "Abacus" and the new responsible entity must take whatever action is necessary to effect the name change.	In addition, the responsible entity has an absolute discretion to change the name of AIT and can take any action necessary to effect the change of name (Clause 26.1).
Complaints resolution	The responsible entity must consider and deal with complaints as soon as reasonably practicable and in any event 60 days after they are made (Clause 24.2).	Provides that a longer period than 60 days may be given to deal with complaints if it is reasonably necessary in the circumstances (Clause 27.2).
	The responsible entity must acknowledge receipt of a complaint within 10 Business Days after being notified of it (Clause 24.3).	The responsible entity must acknowledge receipt of a complaint within 15 Business Days after being notified of it (Clause 27.3).
	The responsible entity must notify the AIT unitholder of, and reasons for, its proposed resolution of the dispute within 7 Business Days of considering and dealing with it (Clause 24.4).	The responsible entity must notify the AIT unitholder of, and reasons for, its proposed resolution of the dispute within 15 Business Days of dealing with it (Clause 27.4).
Listing Rules	N/A	Ensures the proposed new AIT constitution is subject to and consistent with the Listing Rules, as per Listing Rule 15.11.1 and Appendix 15A (Clause 30).
Restricted Securities	N/A	Contains a provision restricting the transfer of securities classified under the Listing Rules as Restricted Securities (Clause 31).
Small holdings	N/A	Provides for the situation where AIT is listed and a member holds an unmarketable parcel of AIT units (Clause 32 and Schedule One).
Accounts	N/A	AIT's financial accounts will be prepared and forwarded to AIT unitholders, subject to the Corporations Act and any relief (Clause 33).
Electronic dealings	N/A	The responsible entity may facilitate dealings and transactions by AIT unitholders or prospective AIT unitholders by electronic or other means, including, but without

Subject	Existing constitution	Proposed new constitution
		limitation, telephone, computer, and electronic, telecommunication or banking facilities (Clause 34).
Restructure	N/A	The responsible entity has the power to do anything which it considers necessary, desirable or reasonably incidental to give effect to the Merger in accordance with the Implementation Deed (Clause 35.1).
	N/A	Express powers of the responsible entity include, without limitation, power to consolidate the AIT units, pay each AIT unitholder a capital distribution, apply distributions paid to AIT unitholders to acquire, on behalf of the AIT unitholders, one AT unit and one AGHL share, and to procure that the Attached Securities are registered in the name of the relevant AIT unitholder (Clause 35.2).
	N/A	Where AIT unitholders are Foreign security-holders, they must transfer legal title to (but not beneficial interest in) pre-consolidation AIT units and AGPL shares to the Stockbroker under the Sale Facility who will receive the distribution on behalf of the AIT unitholder, receive the AT units and AGHL shares, then sell the Merged Group Stapled Securities and pay the proceeds of sale to the AIT unitholder (Clause 35.3).
	N/A	The responsible entity is irrevocably appointed the agent and attorney for AIT unitholders to do all things it considers are necessary, desirable or reasonably incidental to give effect to the Merger (Clause 35.4).
	N/A	The responsible entity, as agent and attorney of each AIT unitholder, is able to receive and apply the distributions, execute an application form in relation to the AT units and AGHL shares, act in accordance with the Sale Facility clause (Clause 35.3) and execute transfers of ADIF securities which are to be the subject of the Sale Facility (Clause 35.5).
	N/A	The responsible entity is able to act in accordance with Clause 35 without obtaining the authority or approval

Subject	Existing constitution	Proposed new constitution
		from AIT unitholders, even if it has an interest in the outcome of such exercise (Clause 35.6).
	N/A	Contains a limitation of liability clause for the responsible entity when exercising its powers in connection with the implementation of the Merger in accordance with the Implementation Deed (Clause 35.7).
	N/A	Definitions are included for the purpose of interpreting and understanding the new Clause 35 (Clause 35.8).

9.11.4 Abacus Group Projects Limited constitution

The existing AGPL constitution and the proposed new AGPL constitution are available for inspection at the registered offices of Abacus until the time of the meeting. A copy will be made available upon request free of charge by calling Abacus on 1800 253 860.

In summary, the key proposed changes to the AGPL constitution are as follows:

Subject	Existing constitution	Proposed new constitution
Definitions	Definitions relate to the Stapling of ADIF securities (Clause 3).	Definitions have been added or modified as a result of the Stapling of APG securities to ADIF securities and the listing of AGPL on the ASX (Clause 1.1).
Compliance with Listing Rules	N/A	Contains a provision that ensures the constitution is subject to and consistent with the Listing Rules, as per Listing Rule 15.11.1 and Appendix 15A (Clause 33).
Listing Rules and ASTC operating rules	N/A	AGPL must comply with any obligations which are imposed on it by the Listing Rules or the ASTC operating rules (see Clauses 2.1, 2.5, 3.2, 3.3(a) and (d), 6.1-6.3, 6.7, 8.4, 8.5, 12.3, 16.8 and 19.2).
Effect of Stapling	Contains provisions effecting the Stapling of a unit in AIT to a share in AGPL.	Contains provisions effecting the Stapling of one Restructured AGPL share to one AGHL share, one AT unit and one Restructured AIT unit.
Share Capital		
Further issue of shares in the same class	N/A	If further AGPL shares of a class are issued on the same terms, the rights attached to that class are not varied (Clause 2.4).

Subject	Existing constitution	Proposed new constitution
Brokerage and commission	N/A	AGPL may pay brokerage or commission to a person for that person or another person agreeing to take up AGPL shares (Clause 2.6).
Reduction of capital or AGPL share buy-back	Subject to the Corporations Act, AGPL may reduce its share capital or buy-back its own shares (Clause 90).	This clause has been removed as the law no longer requires that the constitution includes such powers.
Recognition of third party interests	N/A	AGPL must not recognise any person as holding any AGPL share upon any trust (Clause 2.7).
Conversion of AGPL shares	N/A	An amount unpaid on AGPL shares being converted into smaller or larger amounts is to be divided equally among the AGPL shares that replace those AGPL shares (Clause 2.8).
Certificates	Contains a provision relating to the issue of a replacement certificate for a share if the original is lost or destroyed (Clause 93).	Contains broader and more detailed provisions relating to certificates and holding statements (Clauses 3.1-3.3).
Forfeiture		
Forfeiture	N/A	If the requirements of a forfeiture notice are not complied with, any AGPL share may be forfeited by a director's resolution. Forfeiture includes dividends declared in respect of the forfeited AGPL share but not paid before the forfeiture. AGPL retains the right to sue for any allotment money, calls, instalments, interest and expenses due in respect of the forfeited AGPL share (Clause 8.3).
Notice of forfeited AGPL share	AGPL must give the member notice of the forfeiture before the forfeiture and record it in the register. Failure to comply does not invalidate the forfeiture (Clause 105).	This clause has been removed.
Ownership of forfeited AGPL share	N/A	A forfeited AGPL share becomes the property of AGPL (Clause 8.5).
Effect of forfeiture	A member of a forfeited share must pay all money due and interest at the rate of 10% per annum on those amounts (Clause 107).	An interest rate is not specified but is a rate determined by the directors (Clause 8.6).
Surrender as forfeiture	N/A	Directors will accept the surrender of any fully paid AGPL Share (Clause 8.9).
Lien		
Payments	AGPL has lien on, and must be indemnified by a member for, payments it makes in relation to a member's shares (Clauses 112 and 113).	The proposed new AGPL constitution broadens and clarifies the circumstances in which AGPL's lien applies (Clause 4.2).

Subject	Existing constitution	Proposed new constitution
Calls on shares		
Securities	N/A	A partly paid AGPL share forming part of a Merged Group Stapled Security is not fully paid until AGPL has received all unpaid money in relation to that AGPL share, and AGHL and the responsible entity of AT and of AIT have received all unpaid money in relation to the Attached Securities to which it is Stapled (Clause 5.5).
Interest	Non-payment of a call results in interest being payable at a rate of 10% per annum on any unpaid amount (Clause 98).	The rate of interest payable from the non-payment of a call is determined by the directors (Clause 5.6).
Proof of call	The existing AGPL constitution contains a provision relating to proving a debt due under a call (Clause 101).	The proposed new AGPL constitution broadens the factors sufficient to prove the making of call (Clause 5.10(c) and (d)).
Transfer of shares		
Securities clearing house authorisation and market transfer	N/A	AGPL may participate in an electronic or computerised system to facilitate dealings in AGPL shares, including electronic registrations of transfers of AGPL shares (Clause 6.1). A member may transfer AGPL shares by a market transfer in accordance with an electronic or computerised system (Clause 6.2). Directors must not prevent, delay or interfere with the registration of a market transfer if it would contravene the Listing Rules or ASTC operating rules (Clause 6.3).
Instrument of transfer	Must be in writing in the usual form or a form approved by the directors (Clause 124).	In addition to existing requirements, the transfer must be a sufficient instrument of transfer of Merged Group Stapled Securities under the Corporations Act and must be in a form approved by the ASX (Clauses 6.4(a) and (b)). The requirements for an instrument of transfer are specified (Clause 6.5).
Free registration	N/A	Directors must register a transfer of AGPL shares free of charge (Clause 6.6).
Restrictions on transfers	N/A	Directors may refuse to register a transfer of AGPL shares, if permitted by the Listing Rules, and must refuse to register a transfer if required to by law, the Listing Rules or the ASTC

Subject	Existing constitution	Proposed new constitution
		operating rules (Clause 6.7).
Retention of instruments	N/A	If a transfer is delivered to AGPL, property to and title in it, but not the shares which are the subject of it, passes to AGPL (Clause 6.9).
Notification of refusal to register	Notice of a refusal to register a transfer must be given within 2 months after the transfer was lodged with AGPL (Clause 127).	In addition to the 2 month notice period for unlisted companies, if AGPL is listed, the notice of a refusal to register a transfer must be given within 5 Business Days after the transfer was lodged with AGPL (Clause 6.10(a)).
Unmarketable parcels	N/A	Provides for the situation where AGPL is listed and a member holds an unmarketable parcel of shares (Clause 6.12 and Schedule One).
Transmission of shares		
Dividends and other rights	A person entitled to be registered as a member by virtue of the provisions relating to the transmission of shares is entitled to the same rights as the registered holder would have been (Clause 131).	In addition to the entitlement of rights, a person entitled to be registered as a member by virtue of the provisions relating to the transmission of AGPL shares is entitled to the same dividends and other advantages as the registered holder would have been (Clause 7.3).
Meetings of Members		
One member	If AGPL has one member, a resolution may be passed by that member signing a written record of that resolution (Clause 46).	This clause is removed.
Calling of meetings	Subject to the Corporations Act, directors may call meetings of members (Clause 47).	Meetings of members may be called by directors or, if AGPL is listed, a single director (this is consistent with the right of a single director of a listed company to call a general meeting under s.249CA of the Corporations Act) (Clause 9.1).
Notice to convene meetings	AGPL must not give less than 21 days notice of a meeting of members (Clause 49).	If AGPL is listed, it must give 28 clear days' notice of a meeting of members (as required by s.249HA of the Corporations Act) (Clause 9.9).
Notice requirements	Contains provisions relating to the content of a notice of meeting of members (Clause 51).	Contains more detailed requirements of the notice of meeting of members (Clauses 9.3)
Business of AGM	N/A	Contains a clause discussing the business of an AGM (Clause 9.4).

Subject	Existing constitution	Proposed new constitution
Cancellation or postponement	Directors can cancel or postpone meetings of members by giving not less than 5 Business Days' notice before the time the meeting was to be held to each member, director, alternate director or auditor (Clause 65).	Directors can cancel or postpone meetings of members. If the meeting was called by members, a majority of the requisitioning members must approve the cancellation or postponement. If the meeting is to be postponed for 30 days, 5 days' notice of the postponed meeting must be sent to members (Clause 9.10).
Meetings held in multiple places	A meeting of members may be held in two or more places linked together by appropriate technology (Clause 53).	This clause has been removed as this topic is now dealt with in s.249S of the Corporations Act.
Persons entitled to attend	Each member, the auditor of AGPL and each director is entitled to attend meetings (Clause 54).	The persons entitled to attend meetings also include each company secretary, a proxy, corporate representative or attorney of a member, or other individual with leave of the meeting or its chair. The right to attend meetings is subject to the powers of the chair (Clause 10.1).
Quorum	2 members entitled to vote at the meeting of members (Clause 55).	5 members holding at least 5% of the issued capital of AGPL (Clause 11.1).
Proxies	Contains provisions relating to proxy voting, voting by attorney and voting by representative of a member (Clauses 55, 72-84).	Contains more detailed provisions relating to proxy voting, voting by poll and voting by corporate representative that are consistent with the Corporations Act (Clauses 9.6, 10.2-10.15).
Failure of quorum	If a quorum is not present within 15 minutes, the meeting may be dissolved, or adjourned to a date, time and place as the directors may appoint, or to the following week at the same day, time and place (Clause 56). If a quorum is not present within 15 minutes of the adjourned meeting, the meeting is dissolved (Clause 57).	If a quorum is not present within 30 minutes, the meeting may be dissolved, or adjourned to a date, time and place as the directors may determine or, if no determination is made, to the same day, time and place in the second week following (Clause 11.2). If a quorum is not present within 30 minutes of the adjourned meeting, 2 members constitute a quorum or else the meeting is dissolved (Clause 11.2(b)).
Chair of meeting	Contains provisions in relation to the chairperson, and the election and responsibilities of the chairperson (Clauses 58-59).	The term "chairperson" has been replaced with the term "chair". The role, powers and responsibilities of the chair are more detailed in the proposed new AGPL constitution (Clauses 11.4-11.8).
Notice of adjournment	Notice of an adjourned meeting must be given when a meeting is	Notice of an adjourned meeting must be given when a meeting is

Subject	Existing constitution	Proposed new constitution
	postponed by 21 days or more (Clause 64).	postponed by 30 days or more (Clause 11.9).
Entitlement to vote	N/A	A person is entitled to vote if they are a member, or proxy, attorney or corporate representative of a member (Clause 12.1).
Equality of votes	N/A	If, on a show of hands or on a poll, the votes are equal, the motion is defeated (Clause 12.14(b)).
Joint holders' vote	Only the vote of the member who appears first in the register counts (Clause 69).	Only the vote of the member who is first to vote is counted. If it is impractical to determine which was first, the earliest named in the register counts (Clause 12.15).
Voting restrictions	Contains a clause restricting rights to vote on matters where vote is prohibited by the Corporations Act (Clause 71).	Adds restriction on rights to vote on matters where vote is prohibited by the Listing Rules (Clause 12.3).
Multiple proxies	If more than one proxy or attorney is present, none of them are entitled to vote on a show of hands, and on a poll, each vote has no effect where the sum of the member's votes for which they have been appointed exceeds the total number of votes that could be cast by that member (Clause 73). A member must not have more than 2 proxies or attorneys (Clause 75(b)).	These clauses have been removed as these topics are now dealt with in s.249X and s.249Y of the Corporations Act.
Proxy lodgement deadline	The proxy form must be lodged with AGPL before the commencement of the meeting of members (Clause 83).	A proxy form must be lodged not less than 48 hours before the commencement of the meeting (as required by s.250B of the Corporations Act) (Clause 10.9).
Revocation of proxies	N/A	A provision relating to the revocation of proxies provides, among other things, that a vote or act done in accordance with a proxy form is valid even if a proxy is revoked (as permitted by s.250C of the Corporations Act) (Clause 12.6).
Directors		
Maximum	N/A	The number of directors must not be more than 12 (Clause 13.1).
Vacation of office	Contains a provision on when a director ceases to be a director (Clause 14).	In addition, a director also ceases to be a director when they are absent

Subject	Existing constitution	Proposed new constitution
		from directors' meetings for 6 months without a leave of absence (Clause 13.14(c)).
Appointment, re-appointment, nomination and resignation	Contains provisions in relation to the appointment of directors (Clauses 9, 10 and 13) and the resignation of directors (Clauses 12, 13 and 14) but does not provide for the nomination process or re-appointment of directors.	Provides more detail in relation to the appointment and retirement of directors (Clauses 13.5-13.7 and 13.13-13.14), the re-appointment of directors (Clauses 13.8-13.10) and the process of nominating directors (Clauses 13.11-13.12).
Managing Director	Contains a clause in relation to the appointment, removal and powers of a managing director (Clause 23).	Contains provisions relating to the appointment and removal of a managing director (Clause 15.1), continuing managing directors where more than one has been appointed (Clause 15.2), and to the remuneration of executive directors (Clause 15.5).
Remuneration of directors	N/A	A directors' resolution to cancel, suspend, reduce or postpone payment of remuneration binds all the directors (Clause 16.7). The proposed new AGPL constitution also contains provisions relating to the proposal to increase group directors' fees for ordinary services (Clause 16.2), the fees for ordinary services of directors of AGPL and other group companies (Clauses 16.3-16.4), the payment of a retirement benefit once a director ceases to hold office (Clause 16.8) and the payment of contributions to a director's superannuation or similar fund (Clause 16.9).
Proceedings of directors		
Circular resolutions	N/A	The circular resolution is passed on the day on which it is last signed by a director (Clause 17.10).
Notice of directors meeting	Reasonable notice must be given to each director and alternate director (Clause 39).	Notice may be given by any convenient means, including by telephone or electronic transmission, and must be given to all eligible directors and alternate directors, as defined in Clause 17.6 (Clause 17.5).
Quorum	2 directors entitled to vote on a resolution at the meeting (Clause 40).	2 directors (Clause 17.2).

Subject	Existing constitution	Proposed new constitution
Appointment of chair	If the chairperson is not present within 5 minutes after the time for holding the meeting or is present but unwilling to chair all or part of that meeting, the directors present must elect one of themselves to chair all or part of that meeting (Clause 43).	If the chair is not present within 15 minutes after the time for holding the meeting or is present but unwilling to chair that meeting, the deputy chair may chair the meeting or else the directors present must elect one of themselves to chair that meeting (Clauses 17.7 and 17.8).
Appointment of deputy chair	N/A	Directors may elect and remove a deputy chair (Clause 17.8).
Committees		
Committees	Committees are briefly discussed in terms of their delegated powers (Clause 34).	Directors can delegate their powers to committees consisting of individuals (Clause 21.1(a)) and may establish advisory committees (Clause 21.1(b)). Committee members are officers of AGPL (Clause 21.4) and committees are subject to constraints in addition to the delegation of powers of the directors (Clause 21.5).
Material personal interests		
Material personal interests	Contains minimal provisions relating disclosure of directors' interests (Clauses 21 and 22).	Contains detailed provisions relating to the disclosure of, and voting on, matters involving material personal interests of the directors, consistent with the Corporations Act (Clause 18).
Company Secretary		
Company Secretary	Contains a clause in relation to the appointment and removal of a Company Secretary (Clause 25).	Contains detailed clauses discussing the appointment and duties of a Company Secretary as well as the appointment and duties of an assistant Company Secretary (Clause 22).
Execution of documents		
Execution of documents without common seal	Documents must be signed by 2 directors, a director and a secretary, or a director and another person appointed by the directors for that purpose (Clause 30).	Documents must be signed by 2 individuals. One must be another director and the second must be a director or the secretary (Clause 25.2).
Dividends and reserves		
Interim dividends	N/A	Directors may declare interim dividends to be paid (Clause 27.2).
Share plans	N/A	Provision is made for the adoption by the directors of dividend reinvestment plans (Clauses 27.12 and 27.13).

Subject	Existing constitution	Proposed new constitution
Indemnity, Insurance and Access		
Indemnity, Insurance and Access	AGPL indemnifies officers against a liability incurred by that officer and legal costs for defending an action in relation to that liability (Clause 26). In addition, AGPL will pay insurance premiums for a contract insuring an officer against a liability of that person and for associated legal costs (Clause 27).	Includes the following provisions: (1) an indemnity in favour of the officers of AGPL and each related body corporate against any liability incurred by the officer in that capacity, to the extent allowed by law (Clause 30.1); (2) a clause stating that AGPL will insure an officer against a liability incurred as an officer (Clause 30.2); (3) provisions allowing AGPL to give an officer or former officer access to certain papers (Clause 30.3); and (4) provisions allowing AGPL to contract with an officer in relation to matters raised in the indemnity clause (Clause 30.4).
Restricted Securities	N/A	Contains a provision restricting the transfer of securities classified under the Listing Rules as Restricted Securities (Clause 32).
Stapling provisions		
Stapling Deed	N/A	Reflects AGPL's obligations under the Stapling Deed.
Consistency with constitutions of Stapled entities	N/A	Achieves consistency with the proposed modified AT constitution, the proposed modified AGHL constitution and the proposed new AIT constitution, particularly with respect to using the appropriate references for each different entity and securities in each constitution.
Terms	The Stapling provisions in the existing AGPL constitution use the terms "Share" and "Unit", being a share in the issued capital of AGPL and a unit in AIT, respectively.	The Stapling provisions have replaced the term "Share" with the term "Ordinary Share" and have replaced the term "Unit" with the term "Attached Security".
Transfers of Securities	If directors receive a transfer of a unit in AIT unaccompanied by a transfer of an AGPL share to which it is Stapled, the secretary can effect a transfer of that share to the same transferee (Clause 164(c)).	If directors receive a transfer of an Attached Security unaccompanied by a transfer of the AGHL share to which it is Stapled, or transfers of the other Attached Securities to which the AGHL share is Stapled, the secretary can effect a transfer to the same transferee of the AGHL share or those other Attached Securities (as the case may be) (Clause 34.5(c)).

Subject	Existing constitution	Proposed new constitution
Unstapling	The existing AGPL constitution provides for the Unstapling of an AGPL share and a unit in AIT (Clause 165).	In addition, the Merged Group Stapled Securities will also become Unstapled if: (a) AGHL is liquidated or ceases to exist, in which case the Unstapling date is the date when AGHL is liquidated or ceases to exist (Clauses 34.6(a) and (b) and 34.7(a) and (b)); (b) on the termination of AT or of AIT, in which case the Unstapling date is the date of termination of AT or AIT (as the case may be) (Clauses 34.6(c) and (d) and 34.7(c) and (d)); and (c) if the members resolve by special resolution to Unstaple the Merged Group Stapled Securities and AGHL, AGPL and the responsible entity of AT and of AIT enter into a written agreement to Unstaple, in which case the Unstapling date remains as the date of the written agreement (Clauses 34.6(e) and 34.7(e)), whichever occurs first.
Variation of Stapling provisions	Prior to the date on which a unit in AIT and an AGPL share become Unstapled, the consent of the responsible entity of AIT must be obtained in relation to amendments to the existing AGPL constitution, which affects the terms on which AGPL shares are Stapled or removes any restriction on the transfer of an ADIF Security, subject to Clause 168(b) (Clause 168).	Prior to the date on which the Attached Securities become Unstapled, the consent of AGHL and the responsible entity of AT and of AIT is required to be obtained in relation to amendments to the proposed new AGPL constitution, which affects the terms on which AGPL shares are Stapled or removes any restriction on the transfer of a Merged Group Stapled Security, subject to Clause 34.9(b) (Clause 34.9).
Share plans	N/A	Share plans must be established and maintained in a manner that is consistent with the terms of any Stapling (Clause 34.12).

9.12 ASIC relief

Abacus, AGHL and AGPL have applied to ASIC for the following modifications to and exemptions from the Corporations Act as it applies to the Merger:

(a) In respect of AT and AIT, a modification to sections 601FC(1)(c) and 601FD(1)(c) of the Corporations Act to enable Abacus (as responsible entity of AT and AIT) and its officers to have regard to members' interests as holders of the Merged Group Stapled Securities as opposed to holders of AT units or AIT units (or both).

(b) In respect of AT and AIT, a modification to section 601FC(1)(d) of the Corporations Act to exempt Abacus (as responsible entity of AT and AIT) from treating members equally and fairly to the extent that it would otherwise prevent it from excluding Foreign security-holders from issues of Merged Group Stapled Securities provided a sale facility is in place.

(c) In respect of AT and AIT, a modification to section 601GA(1)(a) of the Corporations Act, if this is necessary, to enable the aggregate issue price of a Merged Group Stapled Security to be allocated between the issue price of its constituent parts.

(d) In respect of AT and AIT, an exemption from compliance with Part 5C.7 of the Corporations Act to enable financial benefits being provided by either of the trusts to the other trust or to AGPL and AGHL (and entities controlled by them).

(e) In respect of AT and AIT, an exemption from compliance with various requirements of Part 7.9 of the Corporations Act because, although technically the Explanatory Memorandum and related documents are a product disclosure statement, the issue of units is not for the purpose of raising capital, but a means to achieve the Merger.

(f) In respect of AGPL and AGHL, an exemption from compliance with various requirements of Chapter 6D of the Corporations Act because, although technically the Explanatory Memorandum and related documents are a prospectus, the issue of shares is not for the purpose of raising capital, but a means to achieve the Merger.

(g) An exemption from Chapter 5C of the Corporations Act in relation to the operation of a managed investment scheme being the Sale Facility.

(h) A modification to Part 6D.2 and Part 7.9 of the Corporations Act to allow Abacus (as responsible entity of AT and AIT), AGHL and AGPL to apply dividends and distributions to acquire additional Merged Group Stapled Securities under a dividend reinvestment plan.

If the Merger proceeds, Abacus, AGHL and AGPL will seek ASIC relief so that the rules governing related party transactions under the Corporations Act will not prevent any of the Merger Entities giving financial benefits to any of the other Merger Entities.

9.13 ASX waivers and confirmations

Abacus, AGHL and AGPL have applied for the following confirmations and approvals as they apply to the Merger Entities:

9.13.1 Confirmations and approvals

(a) **Listing Rule 6.1:** confirmation that ASX considers that the terms applying to the Merged Group Stapled Securities are appropriate and equitable;

(b) **Listing Rule 6.12.3:** confirmation that ASX approves the provisions of the AT constitution and AGHL constitution relating to the divestment of the AGHL shares and AT units of Foreign security-holders as appropriate and equitable;

(c) **Listing Rule 7.17:** confirmation that ASX does not consider that AT and AGHL are offering AT unitholders and AGHL shareholders an entitlement to securities in another entity;

(d) **Listing Rule 11.1.2 and 11.1.3:** confirmation that ASX does not require AGHL to obtain AGHL shareholder approval or AT to obtain AT unitholder approval for the Merger under these rules;

(e) **Appendix 7A:** confirmation that ASX approves the trading of the Merged Group Stapled Securities on a deferred settlement basis in accordance with the timetable in clause 6 of Appendix 7A until the despatch date; and

(f) **Guidance Note 2:** confirmation that ASX is satisfied that the terms of the Stapling arrangement are appropriate.

9.13.2 Waivers

(a) **Listing Rule 1.1 Condition 7:** so that AIT and AGPL may comply with the spread threshold condition together with AT and AGHL.

(b) **Listing Rule 1.1 Condition 8:** so that AIT and AGPL may comply with the assets test jointly with AT and AGHL.

(c) **Listing Rule 2.1 Condition 2:** so that AIT and AGPL may jointly with AT and AGHL meet the requirement that the price of all the main class of Merged Group Stapled Securities for which the entity seeks quotation must be at least 20 cents.

(d) **Listing Rule 8.10:** to permit AIT, AT, AGHL and AGPL to refuse to register a transfer of an AIT unit, AT unit, AGHL share or AGPL share if the transfer is not accompanied by the transfer of a share or unit (as the case may be) in each other Merger Entity.

(e) **Listing Rule 10.1:** to the extent necessary to enable transfers of assets between the Merger Entities.

(f) **Listing Rule 6.24:** so that the Merger Entities need not announce the amount of a dividend or distribution on the date that the dividend or distribution is announced on the condition that an estimated dividend is advised to ASX on that date and the actual dividend rate is advised to ASX as soon as it becomes known.

(g) **Listing Rule 7.1 and 10.11:** to permit the proposed issue of securities in each Merger Entity in accordance with the Merger without specific security-holder approval on the condition that the prior approval of the security-holders of the Merger Entities to the Merger is obtained.

9.14 Judicial advice from the Supreme Court of New South Wales

On 12 December 2005, Abacus applied for and was granted the following orders by the Supreme Court of New South Wales:

That pursuant to Section 63(1) of the Trustee Act 1925 the plaintiff, as trustee and responsible entity of AT and AIT:

1.	(a)	is justified in issuing an overview document and explanatory memorandum and in convening meetings of the members of each of AT and AIT for the purposes of the members of each of those managed investments schemes considering, and if thought fit, agreeing to the resolutions that will be set out in the overview document and explanatory memorandum to be given to the members of each of AT and AIT ('the proposal'); and
	(b)	is justified in proceeding on the basis that the amendments proposed to the AT and AIT constitutions are within the powers of alteration conferred by the respective constitutions of AT and AIT and Section 601 GC(1)(a) of the Corporations Act 2001 (Commonwealth).
2.		A direction that any person or entity who claims that their rights as a member of AT and/or AIT will be prejudiced by the amendments to the constitutions by the plaintiff effecting the proposal may notify the solicitors for the plaintiff of their or its intention to appear at the second Court hearing by no later than 4:00 pm on the day before that hearing.
3.		A direction that, except for the publication of a summary of the orders made by the Court to be incorporated in the explanatory memorandum and the circulation of the explanatory memorandum to the members of AT and AIT as registered at a time and date to be fixed by this Court, no notice of these proceedings or orders need be given to or served on any other person or entity.

At the hearing, the Court granted the relief sought by Abacus.

At the second Court hearing Abacus will, if the constitutional amendments and special resolutions for the proposal are passed by the members of AT and AIT, respectively, apply for judicial advice to the effect that Abacus is justified in acting on the resolutions of the members of each of AT and AIT and in doing all things and taking all necessary steps to implement the Merger.

Abacus intends to act in accordance with the judicial advice in proceeding to implement the Merger. If judicial advice is not given in substantially the same terms as that applied for, the Implementation Deed may be terminated by the parties.

9.14.1 What affected members may do

If you consider that your rights as a member of AT or AIT (or both) will be prejudiced by the amendments to the constitutions by Abacus giving effect to the proposal, then you may notify Abacus' solicitors of your intention to appear at the second court hearing on 20 February 2006 by no later than 4.00 pm on 17 February 2006.

Abacus' solicitors are: Abbott Tout Lawyers
Level 42
MLC Centre
19-29 Martin Place
SYDNEY NSW 2000

10 SECURITY-HOLDER MEETINGS

10.1 Abacus Trust unitholders' meeting

The meeting

Abacus, as responsible entity of AT, has convened a meeting of AT unitholders to be held at 10.00 am on Tuesday, 14 February 2006 at the offices of Abbott Tout on Level 42 MLC Centre, 19 Martin Place, Sydney NSW.

Purpose of the meeting

The purpose of the meeting is to consider, and if thought fit, pass the two resolutions explained below.

For the Merger to take effect, it is necessary that both of the resolutions are passed and for the other Conditions to be satisfied.

Resolution 1: AT Merger Approval Resolution

AT unitholders will consider a special resolution to approve the implementation of the Merger. The resolution is a general authorisation to Abacus, as the responsible entity of AT, to carry out the Merger and to do all things which are necessary to give effect to the terms of the Implementation Deed.

The key steps to give effect to the Merger are summarised under Merger Mechanics at sections 9.5.1, 9.6.1 and 9.7. Further details of the effect of the implementation and operation of the Merger are set out in this Explanatory Memorandum.

Resolution 2: AT Constitution Amendment Resolution

AT unitholders will consider a special resolution to amend the AT constitution. The proposed modified constitution permits and facilitates the Stapling of AT units to AGHL shares, Restructured AGPL shares and Restructured AIT units. The proposed changes to the AT constitution are set out in section 9.11.1 of this Explanatory Memorandum.

This resolution is required under section 601GC(1) of the Corporations Act, which states that the constitution may be modified or repealed and replaced with a new constitution by special resolution.

The existing AT constitution and the proposed modified AT constitution are available for inspection at the registered offices of Abacus until the time of the meeting. A copy will be made available upon request free of charge by calling Abacus on 1800 253 860.

Voting and required majorities

To be passed, each resolution must be approved by at least 75% of the votes cast by AT unitholders either in person or by proxy who are entitled to vote on that resolution.

Each resolution will be decided by way of a poll, on which each AT unitholder has one vote for each AT unit held.

Entitlement to attend and vote at the meeting

Each AT unitholder who is registered on the AT Register of Members at 10.00 am (Sydney time) on 12 February 2006 is entitled to attend and vote, either in person or by proxy, at the meeting.

10.2 Abacus Income Trust unitholders' meeting

The meeting

Abacus, as responsible entity of AIT, has convened a meeting of AIT Unitholders to be held at 10.00 am on Tuesday, 14 February 2006 at the offices of Abbott Tout on Level 42 MLC Centre, 19 Martin Place, Sydney NSW.

Purpose of the meeting

The purpose of the meeting is to consider, and if thought fit, pass the two resolutions explained below.

For the Merger to take effect, it is necessary that both the resolutions are passed and for the other Conditions to be satisfied.

Resolution 1: AIT Merger Approval Resolution

AIT unitholders will consider a special resolution to approve the implementation of the Merger. The resolution is a general authorisation to Abacus, as the responsible entity of AIT, to carry out the Merger and to do all things which are necessary to give effect to the terms of the Implementation Deed.

The key steps to give effect to the Merger are summarised under Merger Mechanics at sections 9.5.1, 9.6.1 and 9.7. Further details of the effect of the implementation and operation of the Merger are set out in this Explanatory Memorandum.

Resolution 2: AIT Constitution Amendment Resolution

AIT unitholders will consider a special resolution to replace the existing AIT constitution with a new AIT constitution. The proposed new constitution (which is in many respects the same as the proposed modified AT constitution) permits and facilitates the Stapling of Restructured AIT units to Restructured AGPL shares, AGHL shares and AT units. The variations between the existing AIT constitution and the proposed new AIT constitution are set out in section 9.11.3 of this Explanatory Memorandum.

This resolution is required under section 601GC(1) of the Corporations Act, which states that the constitution may be modified or repealed and replaced with a new constitution by special resolution.

The existing AIT constitution and the proposed new AIT constitution are available for inspection at the registered offices of Abacus until the time of the meeting. A copy will be made available upon request free of charge by calling Abacus on 1800 253 860.

Voting and required majorities

To be passed, each resolution must be approved by at least 75% of the votes cast by AIT unitholders either in person or by proxy who are entitled to vote on that resolution.

Each resolution will be decided by way of a poll, on which each AIT unitholder has one vote for each AIT unit held.

Entitlement to attend and vote at the meeting

Each AIT unitholder who is registered on the AIT Register of Members at 10.00 am (Sydney time) on 12 February 2006 is entitled to attend and vote, either in person or by proxy, at the meeting.

10.3 Abacus Group Holdings Limited shareholders' meeting

The meeting

The Directors of AGHL have convened a meeting of AGHL shareholders to be held at 10.00 am on Tuesday, 14 February 2006 at the offices of Abbott Tout on Level 42 MLC Centre, 19 Martin Place, Sydney NSW.

Purpose of the meeting

The purpose of the meeting is to consider, and if thought fit, pass the two resolutions explained below.

For the Merger to take effect, it is necessary that both of the resolutions are passed and for the other Conditions to be satisfied.

Resolution 1: AGHL Merger Approval Resolution

AGHL shareholders will consider a special resolution to approve the implementation of the Merger. The resolution is a general authorisation to AGHL to carry out the Merger and to do all things which are necessary to give effect to the terms of the Implementation Deed.

The key steps to give effect to the Merger are summarised under Merger Mechanics at sections 9.5.1, 9.6.1 and 9.7. Further details of the effect of the implementation and operation of the Merger are set out in this Explanatory Memorandum.

Resolution 2: AGHL Constitution Amendment Resolution

AGHL shareholders will consider a special resolution to amend the AGHL constitution. The proposed modified constitution permits and facilitates the Stapling of AGHL shares to AT units, Restructured AGPL shares and Restructured AIT units. The proposed changes to the AT constitution are set out in section 9.11.2 of this Explanatory Memorandum.

This resolution is required under section 136(2) of the Corporations Act, which states that AGHL may modify its constitution, or a provision of its constitution, by special resolution.

The existing AGHL constitution and the proposed modified AGHL constitution are available for inspection at the registered offices of Abacus until the time of the meeting. A copy will be made available upon request free of charge by calling Abacus on 1800 253 860.

Voting and required majorities

To be passed, each resolution must be approved by at least 75% of the votes cast by AGHL shareholders either in person or by proxy who are entitled to vote on that resolution.

Each resolution will be decided by way of a poll, on which each AGHL shareholder has one vote for each Share held.

Entitlement to attend and vote at the meeting

Each AGHL shareholder who is registered on the AGHL Register of Members at 10.00 am (Sydney time) on 12 February 2006 is entitled to attend and vote, either in person or by proxy, at the meeting.

10.4 Abacus Group Projects Limited shareholders' meeting

The meeting

The Directors of AGPL have convened a meeting of AGPL shareholders to be held at 10.00 am on Tuesday, 14 February 2006 at the offices of Abbott Tout on Level 42 MLC Centre, 19 Martin Place, Sydney NSW.

Purpose of the meeting

The purpose of the meeting is to consider, and if thought fit, pass the three resolutions explained below.

For the Merger to take effect, it is necessary that all of the resolutions are passed and for the other Conditions to be satisfied.

Resolution 1: AGPL Merger Approval Resolution

AGPL shareholders will consider a special resolution to approve the implementation of the Merger. The resolution is a general authorisation to AGPL to carry out the Merger and to do all things which are necessary to give effect to the terms of the Implementation Deed.

The key steps to give effect to the Merger are summarised under Merger Mechanics at sections 9.5.1, 9.6.1 and 9.7. Further details of the effect of the implementation and operation of the Merger are set out in this Explanatory Memorandum.

Resolution 2: AGPL Constitution Amendment Resolution

AGPL shareholders will consider a special resolution to replace the existing AGPL constitution with a new AGPL constitution. The proposed new constitution (which is virtually identical to the proposed modified AGHL constitution) permits and facilitates the Stapling of Restructured AGPL shares to Restructured AIT units, AGHL shares and AT units. The variations between the existing AGPL constitution and the proposed new AGPL constitution are set out in section 9.11.4 of this Explanatory Memorandum.

This resolution is required under section 136(2) of the Corporations Act, which states that AGPL may modify its constitution, or a provision of its constitution, by special resolution.

The existing AGPL constitution and the proposed new AGPL constitution are available for inspection at the registered offices of Abacus until the time of the meeting. A copy will be made available upon request free of charge by calling Abacus on 1800 253 860.

Resolution 3: AGPL Share Conversion Resolution

AGPL shareholders will consider an ordinary resolution to convert each Existing AGPL share into 0.78 Restructured AGPL shares. This resolution is required under section 254H of the Corporations Act, which states that AGPL may convert all or any of its shares into a larger or smaller number of shares by resolution passed at a general meeting.

Voting and required majorities

To be passed, the AGPL Merger Approval Resolution and the AGPL Constitution Amendment Resolution must each be approved by at least 75% of the votes cast by AGPL shareholders either in person or by proxy who are entitled to vote on that resolution.

To be passed, the AGPL Share Conversion Resolution must be approved by at least 50% of the votes cast by AGPL shareholders either in person or by proxy who are entitled to vote on that resolution.

Each resolution will be decided by way of a poll, on which each AGPL shareholder has one vote for each share held.

Entitlement to attend and vote at the meeting

Each AGPL shareholder who is registered on the AGPL Register of Members at 10.00 am (Sydney time) on 12 February 2006 is entitled to attend and vote, either in person or by proxy, at the meeting.

11 ADDITIONAL INFORMATION

11.1 Continuous disclosure

Both APG and ADIF are disclosing entities and are subject to regular reporting and disclosure obligations, including the preparation of financial reports. The most recently lodged financial reports for the APG and ADIF before the date of this Explanatory Memorandum are as follows:

- APG 2005 Annual Report for the year ended 30 June 2005;
- AIT Annual Financial Report for the year ended 30 June 2005; and
- AGPL Annual Financial Report for the year ended 30 June 2005.

Copies of documents lodged with ASIC in relation to the APG or ADIF may be obtained from or inspected at an ASIC office.

In addition, listed entities are required to notify the ASX of information about specific events and matters as they arise for the purpose of the ASX making that information available to the market. In particular, the APG has an obligation under the Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of its securities. That information is available to the public from the ASX.

Information relating to the Merger and the Merged Group Stapled Securities that is not materially adverse may be updated and made available to you on the Abacus website at **www.abacusproperty.com.au** or by contacting Abacus on the numbers set out below. A paper copy of any updated information is available free on request.

The following documents are available for inspection at the offices of Abacus on Level 34 Australia Square between 9.00 am and 5.00 pm on Business Days and are available on the Abacus website at **www.abacusproperty.com.au**. A copy may be requested to be provided free of charge by contacting the Abacus Information Line on 1800 253 860 (toll free within Australia) or +61 2 9253 8600 (from outside Australia).

- APG 2005 Annual Report for the year ended 30 June 2005
- AIT Annual Financial Report for the year ended 30 June 2005
- AGPL Annual Financial Report for the year ended 30 June 2005
- Current AT constitution
- Proposed AT constitution
- Current AIT constitution
- Proposed AIT constitution
- Current AGHL constitution
- Proposed AGHL constitution
- Current AGPL constitution
- Proposed AGPL constitution
- Implementation Deed
- Stapling Deed
- Any continuous disclosure notice lodged by:
  - APG since the lodgment of its 2005 Annual Report
  - ADIF since the lodgment of the Annual Financial Report of AIT and AGPL.

11.2 Dispute resolution

You have a right to complain if you are not satisfied with anything relating to the AT or AIT. All complaints are taken seriously and you will be provided with a copy of the Abacus Consumer Guide to Resolving Complaints on request and at no charge.

If you have a complaint, you should write to Abacus (see contact details on the inside back cover of this Explanatory Memorandum), including your name, address and investor number. Abacus will acknowledge the complaint within 15 Business Days and will seek to resolve it as soon as practicable, but no later than 60 days from receipt.

Abacus is a member of the Financial Industry Complaints Service (FICS) which retail investors may contact for any issues that cannot be resolved. FICS is an independent external dispute resolution organisation registered with ASIC. Please note that FICS will not deal with your complaint unless you have first raised your concerns with Abacus. FICS toll free telephone number is 1300 780 808, or you can contact FICS by mail at PO Box 579 Collins Street West, Melbourne Victoria 8007.

11.3 Labour standards, social, ethical and environmental considerations

Abacus does not take into account labour standards or social and ethical considerations when selecting investments for the APG. Environmental issues are considered as part of normal property due diligence.

11.4 Cooling-off regime

No cooling-off period applies to this offer of securities.

11.5 Disclosure of Interests

11.5.1 Interests of Directors

The table below sets out the number and type of securities in the APG or ADIF held by associates of each director of Abacus, AGHL and AGPL or in respect of which they have a relevant interest as at the date of this Explanatory Memorandum.

Director	APG securities	ADIF securities
John Thame	43,000	-
Frank Wolf	6,818,046	-
David Bastian	7,040,000	-
Phillip Green	9,366,930	-
Malcolm Irving	24,000	-
Dennis Bluth	Nil	-
Len Lloyd	Nil	-

The directors have no material interest in the Merger or any other arrangement or matters contemplated by this Explanatory Memorandum or the Overviews except that they are members holding securities as set out above.

The effect of the Merger on their interests is not different from the effect on the like interests of other persons.

11.5.2 Interests of Abacus and related parties

Abacus Finance Pty Limited, a subsidiary of AGHL, made loans to AIT amounting to $14.6 million including interest as at 30 June 2005. Interest is charged at 9.07% pa.

Abacus and its subsidiary, Abacus Property Services Pty Limited, were paid fees by ADIF amounting to $4.8 million for the year ended 30 June 2005 in relation to property acquisition, project and property management, equity raising and other services.

11.5.3 Interests of third parties

Other than as set out below, no expert or any firm in which an expert is a partner or executive, has an interest that exists as at the date of this Explanatory Memorandum, or that existed within two years before that date, in the formation or promotion of the Merged Group, or in any property proposed to be acquired by it or in the offer of Merged Group Stapled Securities. No amount has been paid or agreed to be paid to an expert in the last two years for services rendered by the expert or any such firm in connection with the promotion or inception of the Merged Group other than interests or amounts resulting from the following arrangements:

- PKF Corporate Advisory Pty Limited has provided an Independent Expert's report on the Merger and an Independent Accountant's report on prospective financial information and pro forma balance sheet and has been paid $170,000 for this service.
- Greenwoods and Freehills has provided a Tax Report for inclusion in this Explanatory Memorandum and has been paid $110,000 for this service.

11.6 Consents and Disclaimers

Each of the following parties has given its consent to be named in this Explanatory Memorandum, the ADIF Overview and the APG Overview in the form and context in which it is named. Each of the parties has not caused the issue of these documents and do not make, nor purport to make, any statement in the documents other than where explicitly acknowledged. Each of the parties expressly disclaims and takes no responsibility for any part of these documents other than the reference to its name.

- PKF Corporate Advisory Pty Limited
- Greenwoods & Freehills Pty Limited
- Patersons Securities Limited

12 GLOSSARY

Abacus Abacus Funds Management Limited (ACN 007 415 590).

AASB Australian Accounting Standards Board

ADIF Abacus Diversified Income Fund, made up of the AIT and AGPL

ADIF Preliminary Record Date 5.00pm (Sydney time) on 10 March 2006 or such other time agreed between AGHL, AGPL and Abacus and permitted by ASX

ADIF security a Stapled security comprising an AGPL share and an AIT unit

ADIF security-holder a holder of an ADIF security or Restructured ADIF security

AGAAP Australian generally accepted accounting principles

AGHL Abacus Group Holdings Limited (ACN 080 604 619)

AGHL Meeting the meeting of AGHL shareholders convened to consider the AGHL Resolutions

AGHL Notice the notice of general meeting issued by AGHL for the purpose of convening the AGHL Meeting and considering the AGHL Resolutions

AGHL Register of Members the register of members of AGHL maintained by AGHL in accordance with section 169 of the Corporations Act

AGHL Resolutions the resolutions set out in the AGHL Notice

AGHL share an ordinary share in AGHL

AGHL shareholder a person or persons registered as the holder of an AGHL share on the AGHL Register of Members

AGPL Abacus Group Projects Limited (ACN 104 066 104)

AGPL Meeting the meeting of AGPL shareholders convened to consider the AGPL Resolutions

AGPL Notice the notice of general meeting issued by AGPL for the purpose of convening the AGPL Meeting and considering the AGPL Resolutions

AGPL Register of Members the register of members of AGPL maintained by AGPL in accordance with section 169 of the Corporations Act

AGPL Resolutions the resolutions set out in the AGPL Notice

AGPL share an ordinary share in AGPL, whether an Existing AGPL share or a Restructured AGPL share

AGPL shareholder a person or persons registered as the holder an AGPL share on the AGPL Register of Members

AIFRS Australian equivalent International Financial Reporting Standards as issued by the AASB

AIT Abacus Income Trust (ARSN 104 934 287)

AIT Meeting the meeting of AIT unitholders convened to consider the AIT Resolutions.

AIT Notice the notice of meeting issued by Abacus for the purpose of convening the AIT Meeting and considering the AIT Resolutions

AIT Register of Members the register of members of AIT maintained by Abacus in accordance with section 169 of the Corporations Act

AIT Resolutions the resolutions set out in the AIT Notice

AIT unit a unit in AIT, whether an Existing AIT unit or a Restructured AIT unit

AIT unitholder a person or persons registered as the holder of an AIT unit on the AIT Register of Members

APG Abacus Property Group, made up of AT and AGHL

APG security a Stapled security comprising an AGHL share and an AT unit

APG security-holder a holder of an APG security

ASIC Australian Securities and Investments Commission

ASX Australian Stock Exchange Limited or the market conducted by it as the context requires.

AT Abacus Trust (ARSN 096 572 128)

AT Meeting the meeting of AT unitholders convened to consider the AT Resolutions

AT Notice the notice of meeting issued by Abacus for the purpose of convening the AT Meeting and considering the AT Resolutions.

AT Register of Members the register of members of AT maintained by Abacus in accordance with section 169 of the Corporations Act

AT Resolutions the resolutions set out in the AT Notice

AT unit a unit in AT

AT unitholder a person or persons registered as the holder of an AT unit on the AT Register of Members

Attached Securities an AT unit, an AIT unit, an AGHL share and an AGPL share (as applicable) and any other financial products which are from time to time Stapled to or to be Stapled to an AT unit, an AIT unit, an AGHL share and an AGPL share (as applicable)

Business Day a business day for the purposes of the Listing Rules

Circumstance any circumstance set out in subsections (2) to (8) inclusive of section 601GAA as notionally inserted in the Corporations Act by Class Order [CO 05/26] as modified or varied by any ASIC relief

Conditions: (a) the AGHL Resolutions, the AGPL Resolutions, the AT Resolutions and the AIT Resolutions are approved; (b) the Supreme Court of New South Wales confirms, after the resolutions referred to in paragraph (a) of this definition are approved, that Abacus may implement the Merger; and (c) the Implementation Deed has not been terminated before conditions (a) and (b) have been satisfied

Corporations Act the Corporations Act 2001 (Cth)

Effective Date 17 March 2006

Existing AGPL share means a fully paid up share in AGPL prior to the Implementation Date

Existing AIT unit means a fully paid up unit in AIT prior to the Implementation Date

Foreign security-holder means an APG security-holder on the Stapling Record Date or an ADIF security-holder on the ADIF Preliminary Record Date who is a citizen or resident of a jurisdiction outside Australia or New Zealand or whose address in the relevant register is a place outside Australia or New Zealand or their external territories

Implementation Date 31 March 2006 on which AT units, Restructured AIT units, AGHL shares and Restructured AGPL shares will be allocated and issued in accordance with the Merger

Implementation Deed the deed entered into between Abacus (as responsible entity of AT and AIT), AGHL and AGPL dated 7 December 2005

Independent Expert PKF Corporate Advisers Pty Limited

Independent Accountant PKF Corporate Advisers Pty Limited

Listing Rules the listing rules (including the appendices) of the ASX as amended from time to time

Merged Group the group resulting from the Stapling of the ADIF securities to the APG securities

Merged Group Stapled Security one AT unit, one Restructured AIT unit, one AGHL share and one Restructured AGPL share Stapled to each other on a 1 : 1 : 1 : 1 basis

Merger the proposed arrangement by which AT units, Restructured AIT units, AGHL shares and Restructured AGPL shares are Stapled to each other

Merger Entities AT, AIT, AGHL and AGPL

responsible entity Abacus Funds Management Limited (ACN 007 415 590)

Restructured ADIF security a stapled security comprising one Restructured AGHL share and one Restructured AIT unit

Restructured AGPL shares AGPL shares after the conversion of each Existing AGPL share into 0.78 AGPL shares

Restructured AIT units AIT units after conversion of each Existing AIT unit into 0.78 AIT units

Sale Facility the facility under which Foreign security-holders are required to transfer the legal title to their APG securities or pre consolidation ADIF securities (or both) held by them to the Stockbroker for sale

Security an APG security, an ADIF security or a Merged Group Stapled Security as the context may require

Stapled or Stapling in the case of two or more securities, none of them may be dealt with without the others being dealt with in an identical manner and at the same time and with such restriction on dealing being denoted on the register of each security

Stapling Deed a deed between AGHL, AGPL and Abacus to be entered into on or about the ADIF Preliminary Record Date

Stapling Record Date 5.00pm (Sydney time) on 24 March 2006 or such other time agreed between AGHL, AGPL and Abacus and permitted by the ASX

Stockbroker Patersons Securities Limited (ACN 008 896 311), who will facilitate the Sale Facility

Unstapled a unit or share (as applicable) and each Attached Security (as applicable) not, or no longer, being Stapled

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Abacus Funds Management Limited

responsible entity of Abacus Trust

responsible entity of Abacus Income Trust

Abacus Group Holdings Limited
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