
ASX release

Abacus 2009 Full Year Results

Key financial highlights

- Underlying profit* \$72.0 million
- Underlying earnings* per security 8.30 cents
- AIFRS statutory loss \$102.4 million largely due to fair value adjustments of investment assets and derivatives
- FY09 distributions of \$58.6 million representing 7.75 cents per security
- Gearing 26.6% at year end

Abacus Property Group Managing Director Frank Wolf said: "Abacus' results, in what has been an unprecedented period in world markets, attest to the diversity of our business model and our philosophy of acquiring core plus properties which we are able to enhance over time.

Abacus has focussed on improving our financial strength and recapitalised in April 2009 to reduce gearing and enhance liquidity."

Underlying Profit of \$72.0 million for the year ending 30 June 2009

Abacus Property Group today announced a \$72.0 million Underlying Profit for the year ended 30 June 2009, despite the difficult market conditions.

The Underlying Profit achieved during the year, was underpinned primarily by recurring income from Abacus' property portfolio, property finance and funds management businesses. However, after taking into account non-cash fair value adjustments on the valuation of Abacus' investment properties and its fixed interest rate hedging contracts, Abacus recorded an after tax statutory loss for the year of \$102.4 million.

The Group generated strong underlying cash flows of \$65.6 million from operating activities, which adequately covered FY09 distributions of \$58.6 million.

* Underlying Profit and earnings per security have been calculated in accordance with the AICD / Finsia principles

Summary Profit and Loss Statement	30 June 2009
Statutory net loss attributed to securityholders	(\$102.4m)
Plus fair value adjustments on investment properties	\$107.5m
Plus fair value movement in derivatives	\$51.4m
Plus one-off impairment of ADIF II loan	\$11.0m
Plus other fair value adjustments	\$4.5m
Underlying Profit	\$72.0m
Underlying earnings per security	8.30cps
Distribution per security	7.75cps

As at 30 June 2009, Abacus had net assets of \$989.7 million, with net tangible assets per security of \$0.62.

Summary Balance Sheet	30 June 2009
Total Assets	\$1,445.8m
Interest Bearing Debt	\$391.4m
Other Liabilities	\$64.7m
Net Assets	\$989.7m
NTA per security	\$0.62
Gearing ¹	26.6%
Covenant Gearing ²	32.7%

1. Gearing is calculated as Net Debt/Total Assets less Cash

2. Covenant Gearing is calculated as Total Liabilities/Total Tangible Assets

Capital management

Abacus has committed to a number of capital management initiatives designed to overcome the restrictive capital markets and balance sheet pressures and deliver financial flexibility and balance sheet strength.

- Raised \$211m via rights issue and placement to new and existing securityholders
- Reduced distributions to better reflect underlying cash operating profit
- Distributions to be paid half yearly
- Externalised \$123 million of assets during the year

Consequently, Gearing was reduced to 26.6% and Covenant Gearing to 32.7% at 30 June 2009. Abacus intends to target a long term gearing level of 30%, although it may increase gearing up to 35% over the short to medium term. All Abacus' financial metrics are within covenant limits.

A further \$29 million of assets have been sold or are under advanced negotiations since 30 June 2009.

Fair value adjustments of investment properties

Consistent with its valuation policy, Abacus independently valued 100% of its \$798 million investment property portfolio in FY09, with 68% independently valued at 30 June 2009. The net effect was a revaluation decrement of \$107.5 million.

The weighted average capitalisation rate of the property portfolio at 30 June 2009 was 8.53%. Adjusting for assets disposed of during the year, the weighted average capitalisation rate increased on a like for like basis from 7.75% to 8.53% over the year.

The following table summarises the changes to Abacus' weighted average portfolio capitalisation rate over financial year 2009:

Asset Summary by Sector	Asset Value 30 Jun 09 \$000	Cap Rate 30 Jun 09	Cap Rate 30 June 08
Retail	266,843	7.97%	7.32%
Commercial	355,028	8.67%	7.67%
Industrial / Other	176,155	9.10%	8.26%
Total	798,026	8.53%	7.75%

Fair value adjustments of fixed interest rate contracts

Abacus' policy in respect of interest rate management, which accords with the requirements of its lenders, is to fix the interest rates on the majority of its debt facilities so that the group is less vulnerable to upward movements in interest rates. The instruments used to give effect to this strategy are fixed interest rate contracts. As at 30 June 2009, 76% of Abacus' drawn debt was subject to fixed rates, with the average fixed rate being 6.38% (exclusive of margin on the underlying facilities).

Due to the unprecedented fall in official interest rates this financial year, the mark to market value of Abacus' fixed interest rate contracts fell by \$48.3 million, from an asset of \$11.3 million at 30 June 2008 to a liability of \$37.0 million at 30 June 2009. This \$48.3 million movement has been recorded in Abacus' profit and loss statement as an unrealised loss, and contributed to the statutory loss that Abacus has reported for the year.

While this unrealised loss is not a cash item, it does appear in the balance sheet as a liability and is factored into the calculation of Covenant Gearing.

Operational review

Investment property portfolio

- Portfolio value \$798 million
- Occupancy 90%
- Like for like rent growth 3.5%
- Tenant retention rate 79%
- Weighted lease expiry profile 4.8 years

The investment property portfolio delivered gross revenue of \$79 million and an EBITDA contribution of \$62 million. As a result of the difficult economic conditions occupancy fell to 90% from 94% in June 2008. During the financial year Abacus has entered into or renewed leases over 44,000m² of space.

Funds management

- External assets under management over \$1.0 billion

The funds management business contributed \$13 million to the Group's results. Performance was down on the prior corresponding period due to lower transactional activity and restructuring of funds. Abacus has commenced a number of initiatives to restructure our existing funds to better meet market expectations at this time.

Joint ventures and projects

- Investments \$78.3 million in 10 projects
- Average project gearing 48%

The joint ventures and projects business generated \$20 million in earnings for the year. Projects are not capital intensive and are generally progressing well.

Property finance

- Loan book 15 loans totalling \$146 million
- Majority of loans secured with first mortgages

As at 30 June 2009, property finance assets increased to \$146 million from \$137 million at 31 December 2008. This was largely as a result of capitalised interest or obligations due by existing borrowers. Interest and fee income for the year was \$13 million, after taking a provision of \$5.0 million. The loan book is tested for impairment every six months.

Strategy and Outlook

Abacus has a proven track record as a principal investor acquiring properties that are core plus in nature to deliver enhanced returns. Abacus' experienced team identifies and delivers tailored capital growth strategies.

Abacus is now well capitalised, with low gearing. It has adequate headroom in relation to its lending covenants and liquidity. While remaining cognisant of the need to maintain adequate balance sheet liquidity, Abacus will look to utilise its balance sheet capacity to take advantage of acquisition opportunities for the next generation of core plus assets.

Abacus will continue to focus on recycling its invested capital from its funds management, property finance and projects and joint venture investments back into the group's activities to deliver future growth.

As previously announced, Abacus is targeting a distribution of three cents per security for the 2010 financial year assuming no adverse change to market conditions.

Further Information

Further information on Abacus' full year results and an update on current operations are provided in the financial report. An investor presentation will shortly be released to the market in respect of the full year results.

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