



group overview

Abacus Property Group is a specialist property investor, funds manager and financier listed on the Australian Stock Exchange with over \$2 billion property assets under management.

Our objective

Abacus's objective is to provide our securityholders with reliable and increasing returns.

Our distributions are:

- fully funded by current earnings;
- growing at a faster rate than inflation; and
- underpinned by recurring, diversified revenue streams.

We build securityholder equity by:

- acquiring assets with strong property fundamentals and prospects for capital growth;
- actively managing assets to achieve capital growth; and
- selling assets at appropriate points in the cycle and recycling the proceeds into higher returning investments.

Our business today

Abacus's diversified business model enables securityholders to participate in the income and capital growth from a diversified portfolio of property-based assets. Our activities include:

- an investment portfolio of commercial, retail and industrial properties across Australia;
- a funds management business, syndicating property-based investment opportunities for retail and professional clients of our financial planning network;
- a property financing business; and
- joint venture partnerships and projects with property investment and development groups.

Our history

Abacus was formed in 1996 as a specialist property syndicator, providing property-based investment opportunities to retail investors. In 2001, Abacus merged eight single asset property syndicates to form a diversified property investment group. In late 2002, Abacus internalised the manager and listed on the Australian Stock Exchange. At the time of listing in November 2002, Abacus had gross assets under management of \$450 million and a market capitalisation of \$300 million.

In the period since listing, Abacus has grown its market capitalisation to approximately \$1.2 billion, placing it in the ASX top 200 companies by size, with gross assets under management of \$2 billion. During this period, Abacus has delivered year on year distribution growth of close to 5% and a total return of 20% pa.

2007 highlights

Abacus Property Group performed strongly in 2007, posting a record profit and significant business growth.

This 2007 Securityholder Review provides a summary of our financial results for the year and an overview of each of our key business units.

Highlights of 2007 included:

- normalised profit grew 49% to \$79.8 million
- total securityholder returns for the year were 34%
- assets under management grew 49% to exceed \$2 billion
- \$900 million of property transactions were completed
- three new investment funds were established
- Abacus was included in the S&P/ASX 300 Index.

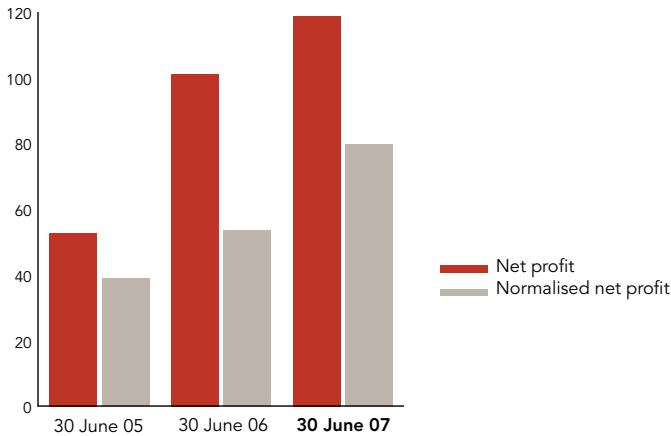


results summary

2007 was a year of record profits

Abacus Property Group reported another exceptional result for the 2007 financial year with record profits, significant expansion of the business and continued growth in securityholder returns.

Net profit & normalised net profit over 3 years



Our normalised profit¹ of \$79.8 million represented an increase of 49% over 2006 and reflected a strong performance from all business units and the continuing successful execution of our business strategy.

¹ Normalised profit is calculated by removing AIFRS adjustments to net profit by eliminating the impact of revaluations of property, derivatives and other financial instruments and share based payments.

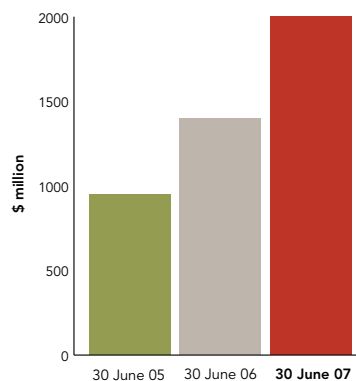
Continued expansion of the business

Abacus was also able to grow its business significantly during the year, with:

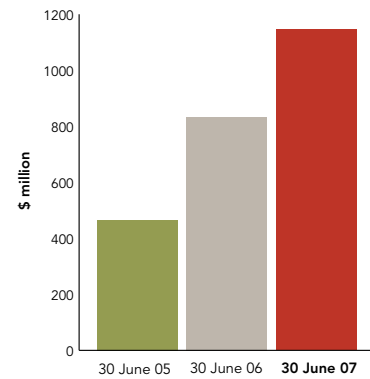
- total assets under management up 49% to \$2 billion; and
- ASX market capitalisation up 38% to \$1.15 billion.

Since year end, market capitalisation has increased to over \$1.2 billion.

Assets under management



Market capitalisation

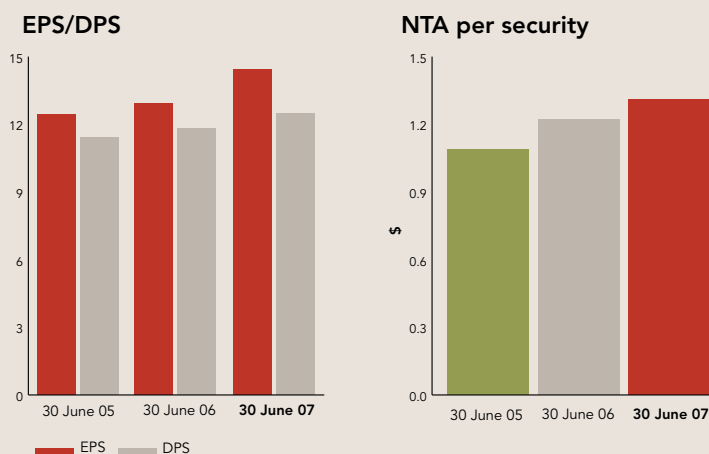


results summary

Continued growth in securityholder returns

Abacus reported steady growth in earnings, distributions and NTA per security, reflecting our continued focus on increasing returns to our securityholders.

The total return to Abacus Property Group securityholders for the 2007 financial year was more than 34%, comprising the full year distribution of 12.5 cents per security and growth in the security price. This compared favourably with the S&P/ASX 200 Property Trust Accumulation Index, which produced a total return of 19% for the year.



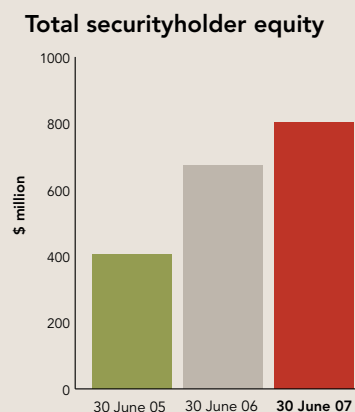
Strong financial position provides platform for continuing growth

Abacus improved its financial strength over the year:

- total securityholder equity increased by 19% to \$803 million
- retained earnings grew by 53% to \$148 million
- gearing reduced to 29.5%

Since year end, Abacus has further strengthened the balance sheet by raising \$100 million through an institutional placement completed in July.

With this solid financial base, Abacus is well-positioned to take advantage of future opportunities for continued growth.



results summary

By the end of the 2007 financial year, Abacus had grown to become one of the largest 200 groups listed on the ASX, with a very strong balance sheet that has it well positioned for future growth.

The 2007 record profit was driven by a number of items, including:

- the launch of the Abacus Hospitality Fund;
- the acquisition, leasing and sale of the Rendezvous Hotel in Auckland;
- the re-leasing of 50 Miller St, North Sydney and its subsequent syndication; and
- significant uplift in the valuation of a number of Abacus' investment properties.

Balance sheet summary as at 30 June 2007

	\$ million		
Property portfolio	834.5	↑	6%
Funds management	133.2	↑	86%
Property finance	120.5	↓	13%
Projects & investments	70.2	↓	12%
Cash, receivables & other assets	111.9		
Total assets	1,270.3	↑	9%
Interest bearing liabilities	(394.2)	↓	9%
Other liabilities	(72.8)		
Net assets/Total equity	803.3	↑	19%
NTA per security	\$1.31	↑	7%
Gearing	29.5%		

2007 profit and loss summary

	\$ million		
Total revenue	187.9	↑	43%
Operating expense	(41.1)		
EBIT	146.8		
Finance/tax/minorities	(28.0)		
Net profit	118.8	↑	17%
AIFRS adjustments	(39.0)		
Normalised profit	79.8	↑	49%
Earnings per security	14.4	↑	12%
Distribution per security	12.5	↑	6%

abacus business model

Four integrated property businesses

Each of our four cornerstone businesses is based on our core expertise in acquiring property and actively managing it to realise its full value. Synergies across the businesses contribute to the overall success of the Group.

As a **principal property investor**, we look to acquire assets which provide recurring rental income and opportunities for capital growth. We target assets with underlying real estate value that we can enhance over time through active management. As this value is crystallised, assets are either moved into our managed funds or sold into the market, and the proceeds are recycled into the continued expansion of our principal investment activities.

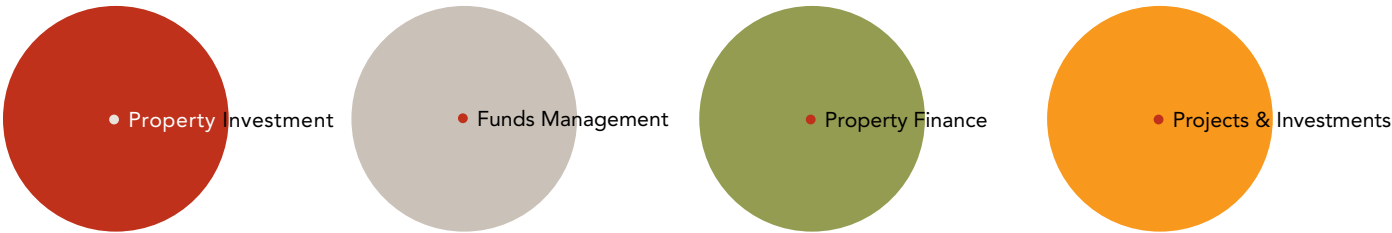
Our **funds management business** provides property investment opportunities to a network of over 1,500 financial planners and more than 12,000 retail investors who want regular and reliable income, preservation of capital and capital growth. We offer core income funds across a number of property sectors, plus a number of special opportunity funds for higher net worth clients and professional investors.

In addition to our principal investment activities, Abacus participates in a range of **property projects and investments** by combining our capital and

property expertise with the regional or sector specific expertise of our business partners. Our partnerships offer Abacus equity participation in an array of property projects, lending opportunities for our property finance business, assets for funds management initiatives and principal investment opportunities on completion of development activities.

We also provide **property financing solutions** to property development groups which generate interest and fee income for Abacus, opportunities for co-investment and a pipeline of potential transactions for other parts of our business. We have strict lending criteria that we apply to these transactions and only participate in projects where the underlying real estate fundamentals are sound.

Rental income and capital growth from the property portfolio is enhanced by fee income, interest income and profit participation from the other businesses to provide a blended return to securityholders.



property investment

At year end, Abacus owned a diversified portfolio of property assets, primarily in the retail, office and industrial sectors, with a combined value of over \$834 million.

Rental income from the property portfolio is the major contributor to earnings. Abacus seeks assets that offer underlying real estate value, including location, large land holdings, under-utilised land, purchase price below replacement cost, development potential and repositioning potential through active management.

Active management may include restructuring tenancies, refurbishing assets, cost containment and income optimisation.

Key achievements for the year included:

50 Miller Street, North Sydney

Abacus acquired this office building in December 2004 for \$36.4 million because it was well located with large floor plates, the initial passing yield was 11%, the purchase price represented a substantial discount to replacement cost and the cost per square metre of office space would enable us to be competitive in the leasing market when the lease to the sole office tenant expired in October 2007.

During the year, Abacus signed a 10 year lease with NAB over all of the office space. In June 2007, Abacus sold 70% of its interest in the property to wholesale investors through a special opportunity fund, based on an independent valuation for the property of \$70 million.

The syndication of this asset enabled Abacus to crystallise the value it had created by fixing the lease profile while generating current and future funds management fees. In addition, by retaining a 30% interest in the syndicate, Abacus continues to participate in the property's future capital growth.



Rendezvous Hotel, Auckland

Abacus acquired Auckland's premier hotel, then known as the Carlton Hotel, in June 2006 for NZ\$96 million. The property was acquired because of its prime CBD location, the purchase price reflected a substantial discount to replacement cost, opportunities existed to improve the hotel's operating performance and vacant possession enabled us to appoint a new manager to improve the hotel's trading performance.

Abacus negotiated a 10 year lease with Rendezvous Hotels (NZ) Limited which significantly improved of the property's value, and subsequently accepted an offer to sell the property for NZ\$113 million.

Aspley Village Shopping Centre redevelopment

Abacus acquired the Aspley Village Shopping Centre in February 2006 for \$16.5 million because of the large land holding, its location 12 kilometres north of the Brisbane CBD and the zoning allowed additional development.

Since acquiring the property, Abacus has obtained development consent to build a new shopping centre on the site, obtained vacant possession, negotiated a number of key leases and commenced construction.

On completion, scheduled for December 2008, Aspley Village will have gross floor area of approximately 12,990m² and comprise a full line Coles Supermarket, 34 specialty shops, restaurants and cafés, two freestanding childcare centres and a medical centre. Undercover parking for approximately 450 vehicles will improve access and safety.

Other Property Achievements

Abacus completed over \$900 million of property transactions during the year, comprising

- \$550 million of property acquisitions, primarily to seed funds management initiatives; and
- \$350 million of property disposals, returning an average internal rate of return of 30%.

Other key achievements included:

- 50% of the portfolio was revalued during the year, generating revaluation gains of \$33.3 million;
- good progress was made with the re-leasing of the Santos space at Westpac House, culminating recently in a new lease to the South Australian Government for approximately two-thirds of this space; and
- renewing the lease to Waco Kwikform at our Rydalmere industrial property for a further ten year term.



funds management

Funds management is an important source of earnings growth for Abacus. Total assets under external Abacus management increased to \$925 million by year end, highlighted by the launch of the Abacus Hospitality Fund and the Abacus Miller Street Trust. The Abacus Diversified Income Fund II was launched in July 2007.

Abacus's superior track record in funds management over our 11 year history has enabled us to build effective distribution channels through close relationships with over 1500 financial advisers and contribute to the investment objectives of more than 12,000 clients. Since formation in 1996, Abacus has established 35 property-based investment opportunities for our clients and raised more than \$550 million equity for our unlisted funds.

By utilising the skills and market presence of our property specialists to identify appropriate assets for syndication and leveraging our balance sheet capacity to provide working capital to acquire assets ahead of the receipt of funds from investors, Abacus is able to provide a range of high quality investment opportunities to suit the needs of different investors.

Abacus presently has three core income funds as well as a number of special opportunity funds. New retail and wholesale funds management initiatives are under consideration as we seek to continue the strong growth of our funds management business.

Abacus regularly co-invests in new funds in order to align our interests with those of our investors and to participate in the income and growth potential that we believe our funds offer investors.

Abacus Storage Fund

Abacus Storage Fund performed strongly during the year. The initial capital raising of \$75 million was completed in December 2006 and the Fund ended the year with 30 properties under full ownership, with an additional property under contract. This Fund is paying its original investors a yield of 8.25% pa.

Strong operating performance at the store level drove a significant increase in Fund profit and, at year end, the property portfolio was revalued by more than \$20 million, contributing to an increase in the Fund's asset backing per security from 85 cents to \$1.20, an increase of 41%.

The Fund is now one of the largest participants in the Australasian self-storage industry.

Abacus Storage Fund summary

Fund size	\$200 million
Properties	30
FY08 yield	8.0% pa
Tax-deferral	90%+
Distributions	Quarterly
Gearing	44%
Net asset backing	\$1.20
Issue price	The fund is closed

Based on the 2007 audited accounts.

Abacus Hospitality Fund

Abacus Hospitality Fund was launched in December 2006 with a \$15 million offer to wholesale investors, followed by the retail offer, which opened in March 2007. Since its launch, Abacus has acquired an additional four hotel properties valued at over \$132 million and grown the Fund's gross assets to \$300 million.

The current portfolio comprises seven hotel properties with over 1,420 rooms – located in Queensland, Sydney, Canberra and Christchurch. Specialist hotel management groups undertake day-to-day operation of the hotels. Our management focus is to optimise and grow earnings by increasing occupancy, improving average room rates and reducing costs.

The Fund provides investors with an 8% yield that is 90% tax deferred, as well as discounted accommodation at the Australasian hotels of the Fund's external hotel managers (Rydges, Accor, Swissôtel).

This Fund
is currently
open for
investment

Abacus Hospitality Fund summary

Fund size	\$300 million
Properties	7
FY08 yield	8.0% pa
Tax-deferral	90%+
Distributions	Quarterly
Gearing	58%
NTA per security	\$0.94
Issue price	\$1.00

Based on the pro forma balance sheet included in the supplementary offer document issued 10 October 2007.

Abacus Diversified Income Fund II

Abacus launched its new flagship fund – the Abacus Diversified Income Fund II (ADIFII) – in July 2007 with \$190 million of assets.

Based on the positive experience that many Abacus investors enjoyed with the first ADIF – an unlisted property fund that specialised in the ownership of smaller commercial properties – we created ADIFII with a similar investment strategy. ADIFII has a diversified portfolio of small properties offering strong real estate fundamentals, along with exposure to other property sectors through property funds and listed property securities.

ADIFII offers investors a diversified property exposure with a 7% yield, high tax deferral and significant growth potential. It has been designed to sit on wrap and master trust platforms.

This Fund
is currently
open for
investment

ADIFII summary

Fund size	\$190 million
Properties	19
Other assets	managed funds & LPTs
FY08 yield	7.0% pa
Tax-deferral	90%+
Distributions	Quarterly
Gearing	44%
NTA per unit	\$0.87
Issue price	\$1.00

Based on the pro forma balance sheet included in the Product Disclosure Statement issued 26 July 2007.

property finance

Abacus provides financing solutions for development projects and other property-based investment projects. For appropriate projects with suitable partners, Abacus will participate in joint venture arrangements or contribute capital on a preferred equity basis.

Our property finance business is an important source of earnings enhancement for the Group and provides opportunities for our funds management and joint venture businesses.

Abacus is a highly selective lender with all loans secured by real property assets assessed against the same criteria as our principal property investments.

Market conditions during the year were not conducive to the continued growth of this business, as the quality of development projects deteriorated, demand for new loans fell and a number of aggressive lenders chased business by discounting rates. Abacus maintained its highly selective approach to lending in this market, as we only provide loans where there is an appropriate reward for the inherent risk.

Expanded management team

The Abacus board was expanded with the appointment of Mr Bill Bartlett as an independent director in March. Bill brings a wealth of financial services experience to the Group. The appointment of David Bastian, our former managing director who retired in September last year, as a non-executive director was approved by securityholders at the AGM last November.

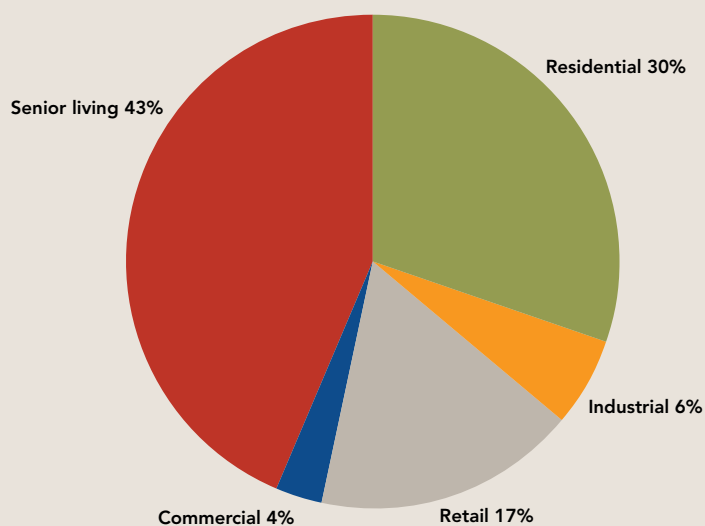
The management team was further strengthened with the appointment of a number of key personnel in funds management, property operations, hospitality, finance and investor relations.



projects and investments

Joint venture activities enable Abacus to participate in a range of property investments that leverage our property skills and capital base through a network of strategic business partners with specialised industry sector or local market expertise.

In recent years, Abacus has generated a pipeline of diversified projects that should provide ongoing earnings from fees and profit participation. The end value of the current pipeline is estimated at approximately \$750 million.



Diversification of current projects across property sector based on estimated end value.

New projects that were initiated during the year included:

Muswellbrook residential subdivision

Abacus acquired a 50% interest in the Eastbrook Links Estate residential subdivision, located in rapidly growing Muswellbrook in the Upper Hunter Valley, 285 kilometres north-west of Sydney and 130 kilometres from Newcastle. The master planned community development on 157 hectares will create a new residential suburb close to the town centre and railway station and opposite the Muswellbrook Golf Course.

Approximately 1,100 lots will be released over several stages for total realisable value of over \$140 million. Abacus' partner in this exciting project is Monarch Investments Group, one of the largest private land development groups in Australia.

Colemans Road, Dandenong South

During the year Abacus acquired this 36 hectare parcel of industrial land in partnership with a Melbourne development group. The property is located approximately 30 kilometres south-east of the Melbourne CBD in a prime industrial precinct. Since acquiring the property, Abacus and its joint venture partner have progressed a sale of over 22 hectares to a major retail group for development of a new distribution centre. After completion of civil works (roads and drainage) during 2008, we will sell down the remaining area of approximately nine hectares via an industrial sub-division.

looking forward

The diversified Abacus business model provides a stable platform from which we will continue to drive securityholder returns in 2008.

We will continue to acquire property assets that offer fundamental real estate value for both our principal book and managed funds. A number of new acquisitions have been completed already this year and we have many potential acquisitions under review.

Our existing property portfolio has inherent capital growth potential that we will look to realise through active management. These assets will then be recycled into funds management initiatives or sold into the market.

We now have a core funds management platform that is well-positioned for further growth in the year ahead, with further acquisitions targeted for Abacus Hospitality Fund and ADIFII. We will look to expand our range of products with new core funds and special opportunity funds.

We have made good progress on a number of our joint venture development projects and we will look to crystallise profits from this business in the year ahead.

Abacus enjoys exceptional transaction flow through our network of agents, joint venture partners and mortgage customers, enabling us to be highly selective in the assets and projects in which we invest securityholder funds.

By maintaining our focus on quality real estate investment opportunities, we believe that we will continue to deliver strong returns for our securityholders.



Corporate Directory

Abacus Property Group

Abacus Group Holdings Limited
ACN 080 604 619

Abacus Group Projects Limited
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