

**ANNUAL FINANCIAL REPORT**

31 DECEMBER 2010

**Directory****Responsible Entity:**

Abacus Funds Management Limited  
ABN 66 007 415 590  
Level 34, Australia Square  
264-278 George Street  
SYDNEY NSW 2000  
Tel: (02) 9253 8600  
Fax: (02) 9253 8616  
Website: [www.abacusproperty.com.au](http://www.abacusproperty.com.au)

**Directors of Responsible Entity:**

John Thame, Chairman  
Frank Wolf, Managing Director  
William Bartlett  
David Bastian  
Malcolm Irving

**Company Secretary:**

Ellis Varejes

**Custodian:**

Perpetual Trustee Company Limited  
Level 12 Angel Place  
123 Pitt Street  
SYDNEY NSW 2000

**Auditor:**

Ernst & Young  
Ernst & Young Centre  
680 George Street  
SYDNEY NSW 2000

**Compliance Plan Auditor:**

Ernst & Young  
Ernst & Young Centre  
680 George Street  
SYDNEY NSW 2000

**Share Registry:**

Registries Ltd  
Level 7, 207 Kent Street  
SYDNEY NSW 2000  
Tel: (02) 9290 9600  
Fax: (02) 9279 0664

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## DIRECTORS' REPORT

31 DECEMBER 2010

The Directors of Abacus Funds Management Limited ("AFML"), the Responsible Entity of the Abacus Wodonga Land Fund ("AWLF" or the "Fund") submit their report for the Fund for the half-year ended 31 December 2010 and the auditor's report thereon.

### DIRECTORS

The Directors of the Responsible Entity in office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

John Thame	Chairman (Non-executive)
Frank Wolf	Managing Director
William Bartlett	Non-executive Director
David Bastian	Non-executive Director
Dennis Bluth	Non-executive Director (retired 12 November 2010)
Malcolm Irving	Non-executive Director
Len Lloyd	Executive Director (retired 12 November 2010)

### PRINCIPAL ACTIVITIES

The Fund operates in Australia and derives income from the investment in a residential land development in Wodonga, Victoria and cattle breeding.

### FUND STRUCTURE

AWLF is an Australian registered managed investment scheme. Abacus Funds Management Limited ("AFML"), the Responsible Entity of AWLF, is incorporated and domiciled in Australia and is a wholly owned subsidiary of Abacus Group Holdings Limited ("AGHL").

The registered office and principal place of business of AGHL and AFML is located at Level 34, 264-278 George Street, Sydney, NSW, 2000.

### REVIEW AND RESULTS OF OPERATIONS

The Fund incurred a net loss attributable to members of \$5.7 million for the half-year ended 31 December 2010 (December 2009: \$0.8 million profit).

Income from the sales of land during the period was \$3.1 million (34 residential lots). A review of carrying value to reflect the slower than expected sales in the capital constrained economic climate resulted in an impairment charge of \$5.6 million against the carrying value of the Fund's inventory of land at Wodonga.

### DISTRIBUTIONS

There were no cash distributions paid or provided for during the period.

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**DIRECTORS' REPORT**

**31 DECEMBER 2010**

**AUDITORS INDEPENDENCE DECLARATION**

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is shown on page 4.

**ROUNDING**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Fund under ASIC Class Order 98/100. The Fund is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.  
Abacus Funds Management Limited (ABN 66 007 415 590)



John Thame  
Chairman

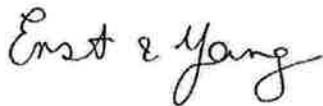


Frank Wolf  
Managing Director

Sydney, 3 March 2011

## Auditor's Independence Declaration to the Directors of Abacus Funds Management Limited, the Responsible Entity of Abacus Wodonga Land Fund

In relation to our review of the financial report of Abacus Wodonga Land Fund for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



K. Zdrilic  
Partner  
3 March 2011

## ABACUS WODONGA LAND FUND

### STATEMENT OF COMPREHENSIVE INCOME

HALF YEAR ENDED 31 DECEMBER 2010

	31 Dec 2010	31 Dec 2009
	\$'000	\$'000
<b>REVENUE</b>		
Sale of Land	3,122	5,730
Interest received	115	253
Net changes in fair value of derivatives	837	648
Other Income	-	150
<b>Total Revenue and Other Income</b>	<b>4,074</b>	<b>6,781</b>
Expenses from cattle breeding activities	(41)	(64)
Expenses from land subdivision activities	(4,150)	(5,539)
Impairment of inventory	(5,600)	-
<b>PROFIT / (LOSS) BEFORE TAX</b>	<b>(5,717)</b>	<b>1,178</b>
Income tax benefit/(expense)	-	(353)
<b>NET LOSS / COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(5,717)</b>	<b>825</b>

### STATEMENT OF DISTRIBUTION

HALF YEAR ENDED 31 DECEMBER 2010

	31 Dec 2010	31 Dec 2009
	\$'000	\$'000
<b>STATEMENT OF DISTRIBUTION</b>		
Net profit/(loss) attributable to unitholders	(5,717)	825
Net transfer (from)/ to accumulated losses	5,717	(825)
<b>Distributions paid and payable</b>	-	-
Distribution per unit (cents per unit)	-	-
<b>Weighted average number of units eligible ('000)</b>	<b>57,037</b>	<b>20,000</b>

## ABACUS WODONGA LAND FUND

### STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

		31 Dec 2010	30 Jun 2010
	Notes	\$'000	\$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		3,104	1,417
Trade and other receivables		90	2,039
Cattle breeding activities		112	78
Inventories	3	8,379	13,111
<b>TOTAL CURRENT ASSETS</b>		<b>11,685</b>	<b>16,645</b>
<b>NON-CURRENT ASSETS</b>			
Inventories	3	42,041	41,587
Cattle breeding activities		23	42
<b>TOTAL NON-CURRENT ASSETS</b>		<b>42,064</b>	<b>41,629</b>
<b>TOTAL ASSETS</b>		<b>53,749</b>	<b>58,274</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		618	274
<b>TOTAL CURRENT LIABILITIES</b>		<b>618</b>	<b>274</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	4	45,604	43,919
Derivatives at fair value		1,359	2,196
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>46,963</b>	<b>46,115</b>
<b>TOTAL LIABILITIES</b>		<b>47,581</b>	<b>46,389</b>
<b>NET ASSETS</b>		<b>6,168</b>	<b>11,885</b>
<b>EQUITY</b>			
Contributed equity	5	19,348	19,348
Accumulated losses		(13,180)	(7,463)
<b>TOTAL EQUITY</b>		<b>6,168</b>	<b>11,885</b>

## ABACUS WODONGA LAND FUND

### STATEMENT OF CHANGES IN EQUITY

HALF YEAR ENDED 31 DECEMBER 2010

	Issued capital \$'000	Retained earnings \$'000	Total Equity \$'000
<b>At 1 July 2010</b>	<b>19,348</b>	<b>(7,463)</b>	<b>11,885</b>
Net loss for the period	-	(5,717)	(5,717)
<b>Total comprehensive income/ (expense) for the period</b>	<b>-</b>	<b>(5,717)</b>	<b>(5,717)</b>
<b>At 31 December 2010</b>	<b>19,348</b>	<b>(13,180)</b>	<b>6,168</b>

	Issued capital \$'000	Retained earnings \$'000	Total Equity \$'000
<b>At 1 July 2009</b>	<b>9,348</b>	<b>(4,739)</b>	<b>4,609</b>
Net income for the period	-	825	825
<b>Total comprehensive income/ (expense) for the period</b>	<b>-</b>	<b>825</b>	<b>825</b>
<b>At 31 December 2009</b>	<b>9,348</b>	<b>(3,914)</b>	<b>5,434</b>

## ABACUS WODONGA LAND FUND

### STATEMENT OF CASH FLOW

HALF YEAR ENDED 31 DECEMBER 2010

	31 Dec 2010	31 Dec 2009
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income receipts	3,229	5,966
Interest received	115	253
Operating payments	(2,538)	(2,819)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>806</b>	<b>3,400</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for inventories	(804)	(1,186)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(804)</b>	<b>(1,186)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	6,087	3,375
Repayments of borrowings	(4,402)	(3,009)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>1,685</b>	<b>366</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,687</b>	<b>2,580</b>
Cash and cash equivalents at beginning of the period	1,417	1,517
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>3,104</b>	<b>4,097</b>



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**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2010**

**1. CORPORATE INFORMATION**

The financial report of the Fund for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors of AFML on 3 March 2011.

The Fund is a registered managed investment scheme.

The nature of the operations and principal activities of the Fund are described in the Directors' report.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The half-year financial report should be read in conjunction with the Annual Financial Report of Abacus Wodonga Land Fund for the year ended 30 June 2010. It is also recommended that the half-year financial report be considered together with any public announcements made by the Fund during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**(a) Basis of Preparation**

The half-year financial report has been prepared in accordance with the requirements of the Corporations Act 2001, AASB 134 "Interim Financial Reporting" and other mandatory professional requirements.

The half-year financial report has been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The carrying values of recognised assets and liabilities that are covered by interest rate swap arrangements, are adjusted to record changes in the fair values attributable to the risks that are being covered by derivative financial instruments.

**(b) Changes in accounting policy**

From 1 July 2010, the Fund has adopted the following Standards and Interpretations mandatory for annual periods beginning on or after 1 July 2010. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Fund.

AASB 2009 - 5 Amendments to Australian Accounting Standards arising from the annual improvements project.

# ABACUS WODONGA LAND FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (b) Changes in accounting policy

The amendments are to AASB 117, AASB 101, AASB 107, AASB 118, AASB 136 and AASB 139 and had no major impact on the application or wording of the Fund's accounting policies.

AASB 2010 – 3 Amendments to Australian Accounting Standards arising from the annual improvements project.

The amendment is to AASB 3 and had no major impact of the Fund's accounting policies.

The Fund has not elected to early adopt any new standards or amendments.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Fund under ASIC Class Order 98/100. The Fund is an entity to which the class order applies.

### 3. INVENTORIES

	31 Dec 2010	30 Jun 2010
	\$'000	\$'000
<b>(a) Current</b>		
Acquisition costs	1,106	2,980
Development costs	5,036	6,896
Other costs (includes finance costs, rates and taxes)	2,237	3,235
<b>Total current inventories</b>	<b>8,379</b>	<b>13,111</b>
<b>(b) Non current</b>		
Acquisition costs	20,876	19,485
Development costs	13,129	10,840
Other costs (includes finance costs, rates and taxes)	19,436	17,062
Less: Impairment	(11,400)	(5,800)
<b>Total non-current inventories</b>	<b>42,041</b>	<b>41,587</b>

# ABACUS WODONGA LAND FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

### 4. INTEREST BEARING LOANS AND BORROWINGS

	31 Dec 2010	30 Jun 2010
	\$'000	\$'000
<b>(a) Non-current</b>		
Bank loans - NAB Mortgage	17,526	11,439
Abacus Finance Pty Ltd	28,078	32,480
	<b>45,604</b>	<b>43,919</b>
<b>(b) Maturity profile of current and non-current interest bearing loans</b>		
Due within one year	-	-
Due between one and five years	45,604	43,919
	<b>45,604</b>	<b>43,919</b>

The Fund maintains a range of interest-bearing loans and borrowings. The sources of funding are spread over a number of counterparties and the terms of the instruments are negotiated to achieve a balance between capital availability and cost of debt.

(c) Financing facilities available

i. Bank loans – provided by an Australian bank at interest rates that include both fixed and floating arrangements. The loans are denominated in Australian dollars and maturity date is 30 June 2012. The effective fixed interest rate of borrowings which are covered by fixed rate swaps was 10.05% at year end (2009 9.55%), while interest on floating rate borrowings are paid quarterly based on existing swap and yield rates quoted on the rate reset date. The bank loans are secured by a charge over the investment properties at Lot 1 & 2, Corner Beechworth Road & Pearce Street, Wodonga VIC 3690 and 1 Windsor Drive, Wodonga VIC 3690 and a guarantee provided by Abacus Group Holdings Ltd.

ii. Variable rate loan of up to \$30 million (\$28.1 million drawn at 31 December 2010 (30 June 2010: \$32.5 million)) provided by Abacus Finance Pty Ltd to provide working capital and interest cost funding to the Fund. The interest rate on the borrowings was the greater of the 90 day Bank Bill rate plus 4% per annum or 14% per annum until 31 December 2009 and then reduced to 10% per annum thereafter. The average interest rate charged for the financial period was 10% per annum. The loan may be repaid at any time, but must be repaid by 31 May 2015.

At reporting date, the following financing facilities had been negotiated and were available:

	31 Dec 2010	30 Jun 2010
	\$'000	\$'000
Total facilities		
Bank loans*	17,526	11,439
Facilities used at reporting date		
Bank loans*	(17,526)	(11,439)
<b>Facilities unused at reporting date</b>		
<b>Bank loans</b>	-	-

\* All sales proceeds are applied to paying bank loan (principal and interest). Only upon an independent revaluation can the loan be redrawn (valuation and LVR permitting).

# ABACUS WODONGA LAND FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

### 5. CONTRIBUTED EQUITY

	31 Dec 2010	30 Jun 2010
	\$'000	\$'000
<b>(a) Issued units</b>		
Issued capital	20,000	20,000
Issue costs	(652)	(652)
<b>Total contributed equity</b>	<b>19,348</b>	<b>19,348</b>
<b>(b) Movement in units on issue</b>		
	Number	Number
	'000	'000
<b>At 30 June 2010</b>	57,037	20,000
Units issued during the period	-	37,037
<b>Securities on issue at 31 December 2010</b>	<b>57,037</b>	<b>57,037</b>

#### Terms and conditions of contributed equity

Unitholders have the right to receive distributions, and in the event of winding up of the Fund, to participate in the proceeds from sale of all surplus assets in proportion to the number of units held. Unitholders can vote their units in accordance with the Corporations Act, either in person or by proxy, at a meeting of Fund.

Distributions will be determined by the cashflow of the project.

#### CAPITAL MANAGEMENT

AWLF seeks to manage its capital requirements through a mix of debt and equity funding. It also ensures that it complies with capital and distribution requirements of its Fund deed, the capital requirements of relevant regulatory authorities and continues to operate as a going concern. AWLF also protects its equity in assets by taking out insurance.

AWLF assesses the adequacy of its capital requirements, cost of capital and gearing (i.e. debt/equity mix) as part of its broader strategic plan. In addition to tracking actual against budgeted performance, AWLF continuously reviews its capital structure to ensure sufficient funds and financing facilities, on a cost effective basis are available to implement AWLF's strategy that adequate financing facilities are maintained and distributions to members are made within the stated distribution guidance.

AWLF actively manages its capital via the following strategies: issuing new units, adjusting the amount of distributions paid to members, activating a unit buyback program, divesting assets, or (where practical) recalibrating the timing of transactions and capital expenditure so as to avoid a concentration of net cash outflows.

A summary of the Fund's key banking covenants is set out below. The Fund's ability to comply with these covenants is dependant on future sales of housing lots.

Covenant / Ratio	Covenant	Key details
<b>Nature of facilities</b>	Secured, non recourse	The Fund has no unsecured facilities
<b>LVR</b>	50%	Drawn loan, Bank accepted valuations
<b>Quarterly settlements</b>	15 lots at not less than 90% of bank agreed valuation and 42 lots in a six month period	Residential land sales

The Fund did not satisfy the settlements covenant requirement for the six months ended 31 December 2010. However prior to the period end the Fund's banker provided a waiver in respect to this requirement.

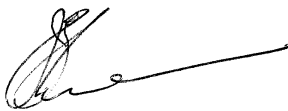
**DIRECTORS' DECLARATION**

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

In the opinion of the directors:

- (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Fund are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Fund's financial position as at 31 December 2010 and of their performance for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

On behalf of the Board



John Thame  
Chairman



Frank Wolf  
Managing Director

Sydney, 3 March 2011

To the members of Abacus Wodonga Land Fund

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Abacus Wodonga Land Fund ('the Fund'), which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Fund.

### Directors' Responsibility for the Half-Year Financial Report

The directors of Abacus Funds Management Limited, the Responsible Entity of the Fund are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Abacus Wodonga Land Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

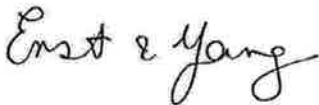
### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Abacus Wodonga Land Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of Abacus Wodonga Land Fund's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'K. Zdrilic'.

K. Zdrilic  
Partner  
Sydney  
3 March 2011