ANNUAL FINANCIAL REPORT

30 June 2014

Directory

Responsible Entity
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SYDNEY NSW 2000
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Fax: (02) 9253 8616
Website: www.abacusproperty.com.au

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

Directors of Responsible Entity
John Thame, Chairman
Frank Wolf, Managing Director
William Bartlett
Malcolm Irving
Myra Salkinder

Company Secretary:
Ellis Varejes

Auditor (Financial and Compliance Plan):
Ernst & Young
Ernst & Young Centre
680 George Street
SYDNEY NSW 2000

Share Registry:
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DIRECTORS' REPORT

30 June 2014

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 year ended 30 June 2014 and the auditor's report thereon.

PRINCIPAL ACTIVITIES

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

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 & AFML is located at Level 34, 264-278 George Street, Sydney, NSW 2000.

REVIEW AND RESULTS OF OPERATIONS

The Fund incurred a net profit attributable to unitholders of $9.9 million for the year ended 30 June 2014 (2013: $14.6m loss). The result for the year includes $10m debt forgiveness on the loan provided by the Abacus Finance Pty Limited.

Income from the sales of land during the period was $10.9 million for 83 residential lots (June 2013: $15.7m for 89 lots).

At 30 June 2014 the Fund had approximately 120 lots available for sale across stages that cater for retirees, families, first home buyers and investors. Stage 16 and stage 16a were recently released for sale, offering larger lots for families in locations close to the shopping centre and open space. The Fund is developing extensions to the existing landscaped reserves in accordance with the development masterplan. Further stages of residential lots will be developed to meet demand.

Sales of land lots in Wodonga have historically been difficult and while AFML is working assiduously to recover value in the Fund the ultimate return to unitholders, if any, will be dependent on an increase in the rate and the value of future sales.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

The deficiency in net equity reduced from $16.2 million to $6.3 million on 1 June 2014 due to the debt forgiveness by Abacus Finance Pty Limited.

UNITS ON ISSUE

As at 30 June 2014 there were 57,037,037 units (2013: 57,037,037 units) in the Fund on issue.

FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

The Fund did not pay management fees (2013: Nil) or accounting fees (2013: Nil) to the Responsible Entity for the year ended 30 June 2014.

FUND ASSETS

At 30 June 2014 the Fund held assets to a total value of $36.1 million (2013: $32.1 million). The basis for valuation of the assets is disclosed in Note 2 of the financial report.

DIRECTORS' REPORT

30 June 2014

DISTRIBUTIONS

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

SIGNIFICANT EVENTS AFTER BALANCE DATE

Other than as disclosed in this report and to the knowledge of directors, there has been no other matter or circumstance that has arisen since the end of the financial period that has or may affect the Fund's operations in future financial periods, the results of those operations or the Fund's state of affairs in future financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Fund will continue to pursue strategies that seek to improve profitability and market share of its activities during the coming year. In the opinion of the Directors, disclosure of any further information on future developments and results than is already disclosed in this report or the financial statements would be unreasonably prejudicial to the interests of the Fund.

DIRECTORS

The Directors of the Responsible Entity in office during the financial 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
Malcolm Irving	Non-executive Director
Myra Salkinder	Non-executive Director

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Fund is subject to significant environmental regulation in respect of its property activities. Adequate systems are in place for the management of the Fund's environmental responsibilities and compliance with the various licence requirements and regulations. No material breaches of requirements or any environmental issues have been identified during the year.

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 half-year financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the group under ASIC Class Order 98/100. The group is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

John Thame	Frank Wolf
Chairman	Managing Director
Sydney, 28 August 2014	

Building a better
working world

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

In relation to our audit of the financial report of Abacus Wodonga Land Fund for the financial year ended 30 June 2014, 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

Ernst & Young

Kathy Parsons
Partner
28 August 2014

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2014

	Notes	2014 $'000	2013 $'000
REVENUE			
Sale of inventory		10,948	15,725
Sale of livestock		-	28
Total Revenue		**10,948**	**15,753**
OTHER INCOME			
Interest received		14	19
Debt forgiveness on the Abacus Finance Pty Ltd loan		10,000	-
Other		21	5
Total Revenue and Other Income		**20,983**	**15,777**
Expenses from cattle breeding activities		-	(102)
Cost of inventory sales	5	(11,094)	(16,770)
Impairment of inventory		-	(14,000)
Net change in fair value of derivatives		(4)	455
PROFIT/(LOSS) BEFORE TAX		**9,885**	**(14,640)**
Income tax expense		-	-
NET PROFIT/(LOSS) AFTER TAX		**9,885**	**(14,640)**

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	30 Jun 2014 $'000	30 Jun 2013 $'000
CURRENT ASSETS			
Cash and cash equivalents	6	177	2,042
Trade and other receivables		793	427
Inventory	7(a)	10,650	8,509
TOTAL CURRENT ASSETS		**11,620**	**10,978**
NON-CURRENT ASSETS			
Inventory	7(b)	24,512	21,072
Other		11	13
TOTAL NON-CURRENT ASSETS		**24,523**	**21,085**
TOTAL ASSETS		**36,143**	**32,063**
CURRENT LIABILITIES			
Trade and other payables	8	557	173
TOTAL CURRENT LIABILITIES		**557**	**173**
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	9(a)	38,903	45,096
Derivatives at fair value		2,961	2,957
TOTAL NON-CURRENT LIABILITIES		**41,864**	**48,053**
TOTAL LIABILITIES		**42,421**	**48,226**
NET LIABILITIES		**(6,278)**	**(16,163)**
EQUITY			
Contributed equity	11(a)	19,348	19,348
Accumulated losses		(25,626)	(35,511)
TOTAL EQUITY		**(6,278)**	**(16,163)**

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2014

	Issued capital $'000	Retained earnings $'000	Total Equity $'000
At 1 July 2013	19,348	(35,511)	(16,163)
Total comprehensive income for the year	-	9,885	9,885
At 30 June 2014	**19,348**	**(25,626)**	**(6,278)**

	Issued capital $'000	Retained earnings $'000	Total Equity $'000
At 1 July 2012	19,348	(20,871)	(1,523)
Total comprehensive expense for the year	-	(14,640)	(14,640)
At 30 June 2013	**19,348**	**(35,511)**	**(16,163)**

STATEMENT OF CASH FLOW
YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Income receipts		9,721	15,371
Interest received		13	19
Operating payments		(597)	(807)
Payments for land acquisition and development costs (inventory)		(10,822)	(6,567)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	6	**(1,685)**	**8,016**
CASH FLOWS FROM INVESTING ACTIVITIES		-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**-**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		18,134	8,523
Repayments of borrowings		(18,314)	(14,730)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(180)**	**(6,207)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,865)	1,809
Cash and cash equivalents at beginning of year		2,042	748
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**177**	**2,557**

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

1. CORPORATE INFORMATION

The financial report of the Fund for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors of AFML on 28 August 2014.

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

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The carrying values of recognized assets and liabilities that are covered by interest rate swap arrangements, are adjusted to record changes in the fair values attributable to the risk that are being covered by derivative financial instruments.

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 Trust under ASIC Class Order 98/100. The Fund is an entity to which the class order applies.

Net asset deficiency

At 30 June 2014, the Fund has a net asset deficiency of $6.3m (2013: net asset deficiency of $16.2m) due to impairment of inventory in prior years. The Fund has obtained a letter from Abacus Property Group ("APG") that APG does not intend to request repayment of its loan for a period of 12 months from the date of this financial report and to the extent necessary APG intends to provide financial support to enable the Fund to pay its debts as and when they fall due within the next 12 months.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS), as issued by the AASB and IASB respectively.

(c) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The following Standards have been adopted from 1 July 2013 and have not had a material financial impact on the Trust:

AASB 13 – Fair Value Measurement: establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Adoption of AASB13 has expanded the disclosure requirements for all assets or liabilities carried as fair value by the Fund which includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

AASB 2013-3 – Amendments to AASB136 Impairment of Assets: the Trust has early adopted this Standard, effective 1 January 2014, which amends the disclosure requirements. The amendments in AASB 136 include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. AASB 2013-3 removes this requirement.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretation issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Fund for the annual reporting period ended 30 June 2014. These are outlined in the table below:

- Amendments to Australian Accounting Standards – *Offsetting Financial Assets and Financial Liabilities* (effective 1 January 2014 / applicable for Group 1 July 2014)

  AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identifies in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

  This amendment will have no impact on the disclosure for the Fund

- AASB 9 Financial Instruments (effective 1 January 2018 / applicable for Fund 1 July 2018)

  AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.

  These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.

  (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity’s business model for managing the financial assets; (2) the characteristics of the contractual cash flows.

  (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

  (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

  (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

  - The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
  - The remaining change is presented in profit or loss.

  AASB9 also removes the volatility in profit and loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognised in profit and loss.

  Consequential amendments were also made to other standards as a result of AASB 9, introduced by 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretation issued but not yet effective (continued)

The Fund will review the classification of its existing financial assets and liabilities in line with the standard, such as secured and related party loans, options and derivatives.

The tests above with respect to any potential reclassification of financial assets with variable cash flows will depend on the facts applicable at transition date.

- Annual improvements 2010 – 2012 Cycle: (effective 1 July 2014 / applicable for Fund 1 July 2014)

  This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.

  The following items are addressed by this standard:

  - IFRS 2 – Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
  - IFRS 3 – Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37.
  - IFRS 8 – Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.
  - IAS 16 and IAS 38 – Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
  - IAS 24 – Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

  The Fund will review any amendment to the standards when adopted by the AASB.

- Annual improvements 2011 – 2013 Cycle: (effective 1 July 2014 / applicable for Fund 1 July 2014)

  This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.

IFRS 13 – Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretation issued but not yet effective (continued)

- IAS 40 – Clarifies that judgement is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes investment property. That judgement is based on guidance in IFRS 3.

The Fund will review any amendment to the standards when adopted by the AASB.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets : (effective 1 January 2016 / applicable for Fund 1 July 2016)

IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

This revision will have no impact on how the Fund measures its depreciation.

- IFRS 15 Revenue from Contracts with Customers: (effective 1 January 2017 / applicable for Fund 1 July 2017)

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes:

(a) IAS 11 Construction Contracts

(b) IAS 18 Revenue

(c) IFRIC 13 Customer Loyalty Programmes

(d) IFRIC 15 Agreements for the Construction of Real Estate

(e) IFRIC 18 Transfers of Assets from Customers

(f) SIC – 31 Revenue – Barter Transactions Involving Advertising Services

The Core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principal by applying the following steps:

(a) Step 1: Identify the contract(s) with a customer

(b) Step 2: Identify the performance obligations in the contract

(c) Step 3: Determine the transaction price

(d) Step 4: Allocate the transaction price to the performance obligations in the contract

(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Fund will review any contracts it has with customers and assess the disclosure requirements, if any, of these contracts.

AASB 119, AASB 1055, AASB 2013-4, AASB 2013-5, AASB 2013-7, AASB 1031, AASB 2013-9, IFRS 14 and Interpretation 21 will have no application to the Fund.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Finance Income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Sale of inventory

Revenue from property development sales is recognised when the significant risks, rewards of ownership and effective control has been transferred to the purchaser which has been determined to occur upon settlement and after contractual duties are completed.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return or there is continuing management involvement to the degree usually associated with ownership.

(e) Expenses

Expenses including rates, taxes and other outgoings are brought to account on an accrual basis and any related payables are carried at cost.

(f) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and shot-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above.

(g) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised at amortised cost, which in the case of the Fund, is the original invoice amount less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that collection of the full amount is no longer probable. Bad debts are written off when identified.

(h) Derivative financial instruments and hedging

The Fund utilises derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date at which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from the movement in fair values are recorded in the income statement.

The fair values of interest rate swaps are determined by reference to market values for similar instruments.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid and arise when the Fund becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(j) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowings.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid in the establishment of loan facilities that are yield related are included as part of the carrying amount of loans and borrowings.

Borrowings are classified as non-current liabilities where the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred unless they relate to a qualifying asset or to upfront borrowing establishment and arrangement costs, which are deferred and amortised as an expense over the life of the facility. A qualifying asset is an asset that generally takes more than 12 months to get ready for its intended use or sale. In these circumstances, the financing costs are capitalised into the cost of the asset. Where funds are borrowed by the Fund for the acquisition or construction of a qualifying asset, the amount of the borrowing costs capitalised are those incurred in relation to the borrowing.

(k) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Fund. Incremental costs directly attributable to the issue of new securities are shown in equity as a deduction, net of tax, from the proceeds.

(l) Inventories

Property Development

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of sales in the ordinary course of business. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value. Where the net realisable value of inventory is less than cost, an impairment expense is recognised in the statement of comprehensive income. Reversals of previously recognised impairment charges are recognised in the statement of comprehensive income such that the inventory is always carried at the lower of cost and net realisable value. Cost includes the purchase consideration, development costs and holding costs such as borrowing costs, rates and taxes.

(m) Taxation

AWLF is an entity to which Division 6C of the Income Tax Assessment Act will apply and therefore the Fund is taxed as a company.

Company income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Taxation (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. FINANCIAL RISK MANAGEMENT

The risks arising from the use of the Fund's financial instruments are credit risk, liquidity risk and market risk (interest rate risk, price risk and foreign currency risk).

The Fund's financial risk management focuses on mitigating the unpredictability of the financial markets and its impact on the financial performance of the Fund. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Primary responsibility for identification and control of financial risks rests with the Treasury Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in derivatives, hedging cover of interest rate risks and cash flow forecast projections.

The main purpose of the financial instruments used by the Fund is to raise finance for the Fund's operations. The Fund has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Fund also enters into derivative transactions principally interest rate swaps. The purpose is to manage the interest rate exposure arising from the Fund's operations and its sources of finance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in notes 2 and 4 to the financial statements.

(a) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivables from bonds, deposits on the subdivision of the land and derivative financial instruments.

Given the nature of the receivables, credit risk is considered to be low. Notwithstanding this, the receivable balances are monitored on an ongoing basis with the result that the Fund's exposure to bad debts is not significant.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate and diverse amount of committed credit facilities, the ability to close out market positions and the flexibility to raise funds through the issue of new stapled securities or the distribution reinvestment plan.

The Fund's policy is to maintain an available loan facility with banks sufficient to meet expected operational expenses and to finance investment acquisitions for a period of 90 days, including the servicing of financial obligations. Current loan facilities are assessed and extended for a maximum period based on the Fund's expectations of future interest and market conditions.

As at 30 June 2014, the Fund had cash of $0.18 million which are adequate to cover short term funding requirements. Further information regarding the Fund's debt profile is disclosed in Note 9.

(c) Refinancing risk

Refinancing risk is the risk that unfavorable interest rate and credit market conditions result in an unacceptable increase in the Fund's credit margins and interest cost. Refinancing risk arises when the Fund is required to obtain debt to fund existing and new debt positions.

The Fund is exposed to refinancing risks arising from the availability of finance as well as the interest rates and credit margins at which financing is available. The Fund manages this risk by spreading maturities of borrowings and interest rate swaps, diversification of lenders and reviewing potential transactions to understand the impact on the Fund's credit worthiness.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

3. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

The Fund's exposure to the risk of changes in market interest rates relates primarily to the Fund's long-term debt obligations with a floating interest rate.

The Fund's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Trust enters into interest rate swaps, in which the Fund agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2014, after taking into account the effect of interest rate swaps, more than 100% of the Fund's bank borrowings are subject to fixed rate hedges (2013: 100%).

Fair value interest rate risk

As the Fund holds interest rate swaps against its variable rate debt there is a risk that the economic value of a financial instrument will fluctuate because of changes in market interest rates. The level of variable rate debt subject to interest rate swaps and fixed rate debt is disclosed in note 10.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Fund's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Fund. All judgments, estimates and assumptions made are believed to be reasonable, based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(a) Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and tax losses on revenue account as management considers that it is probable that future taxable profits will be available to utilise those temporary differences and tax losses.

(b) Significant accounting estimates and assumptions

Fair value of derivatives

The fair value of derivatives is determined using quoted market prices (where there is an active market) or a suitable pricing model based on discounted cash flow analysis using assumptions supported by observable market rates. Where the derivatives are not quoted in an active market their fair value has been determined using (where available) quoted market inputs and other data relevant to assessing the value of the financial instrument, including financial guarantees granted by the Fund, estimates of the probability of exercise.

Net realisable value of inventory

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions that require the use of management judgment are reviewed half-yearly and these assumptions include the number of lots sold per year and the average selling price per lot. If the net realisable value is less than the carrying value of inventory, an impairment loss is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

5. EXPENSES

	2014 $'000	2013 $'000
Cost of inventory sales		
Cost of land sold	10,042	15,403
Selling costs	498	515
Administration and other expenses	554	852
Total cost of inventory sales	**11,094**	**16,770**

6. CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
Reconciliation to Cash Flow Statement		
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June 2014:		
Cash at bank and in hand[1]	**177**	**2,042**

1. cash at bank earns interest at floating rates. The carrying amounts of cash and cash equivalents represent fair value.

(a) Reconciliation of net profit after tax to net cash flows from operations

	2014 $'000	2013 $'000
Net profit/(loss)	9,885	(14,640)
Adjustments for:		
Net change in fair value of derivatives	4	(455)
Impairment of inventory	-	14,000
Debt forgiveness on the Abacus Finance Pty Ltd loan	(10,000)	-
Increase/(decrease) in payables	383	87
(Increase)/decrease in inventories	(2,011)	9,693
Decrease/(increase) in receivables and other assets	54	(669)
Net cash from / (used in) operating activities	**(1,685)**	**8,016**

(b) Disclosure of interest bearing loans and borrowings

Refer to note 9.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

7. INVENTORY

	2014 $'000	2013 $'000
(a) current		
Projects[1]		
- purchase consideration	2,345	2,675
- development costs	10,635	10,485
- finance costs[2]	1,805	1,091
- diminution	(4,135)	(5,742)
	10,650	**8,509**
(b) non-current		
Projects[1]		
- purchase consideration	11,965	13,111
- development costs	23,274	22,166
- finance costs[2]	5,714	3,795
- diminution	(16,441)	(18,000)
	24,512	**21,072**
Total inventories	**35,162**	**29,581**

1. Inventories are held at the lower of cost and net realisable value
2. Finance costs were capitalised at interest rates within the range of 10% to 10.45% during the financial year (2013:10% to 10.55%)

8. TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Current		
Trade creditors	487	139
Accrued expenses	70	34
	557	**173**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

9. INTEREST BEARING LOANS AND BORROWINGS

	2014 $'000	2013 $'000
(a) Non-current		
Bank loans - NAB Mortgage	-	6,657
Abacus Finance Pty Ltd	38,903	38,439
	38,903	**45,096**
(b) Maturity profile of current and non-current interest bearing loans		
Due within one year	-	-
Due between one and five years	38,903	45,096
	38,903	**45,096**

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.

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 the term to maturity date is 30 April 2015. The interest rate on the borrowings is 10.50% per annum (2013: 10.50%). The bank loans are secured by a charge over all the Fund's property and a guarantee provided by Abacus Group Holdings Ltd.

The fixed rate loan of $38.9 million at 30 June 2014 (2013: $38.4 million) is provided by Abacus Finance Pty Ltd to provide working capital and interest cost funding to the Fund. The interest rate on the borrowings is 10% per annum. The loan may be repaid at any time, but must be repaid by 1 July 2016.

(c) Financing facilities available

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

	2014 $'000	2013 $'000
Total facilities		
Bank loans	12,000	12,000
Abacus Finance Pty Ltd	45,000	38,000
Facilities used at reporting date		
Bank loans	-	(6,657)
Abacus Finance Pty Ltd*	(38,903)	(38,439)
Facilities unused at reporting date	**18,097**	**4,904**

* The $38.9 millon reflects principal of approx $38.6 million with the remaining $0.3 million being capitalised interest.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

10. FINANCIAL INSTRUMENTS

(a) Credit risk

Credit risk exposures

The Fund's maximum exposure to credit risk at the reporting date was:

	Carrying Amount 2014 $'000	Carrying Amount 2013 $'000
Receivables	793	427
Cash and cash equivalents	177	2,042
	970	**2,469**

The aging of the Fund's receivables at the reporting date was:

	Gross	2014 Impairment $'000	Gross	2013 Impairment $'000
not past due - trade receivables	793	-	427	-
past due 0-30 days	-	-	-	-
past due 31-120 days	-	-	-	-
more than one year	-	-	-	-
	793	-	427	-

(b) Liquidity risk

The table below shows an analysis of the contractual maturities of key liabilities which forms part of the Fund's assessment of liquidity risk.

30 June 2014	Carrying Amount $'000	Contractual cash flows $'000	1 Year or less $'000	Over 1 year to 5 years $'000	Over 5 years $'000
Liabilities					
Trade and other payables	557	557	557	-	-
Interest bearing loans and borrowings#	41,864	50,269	4,928	45,341	-
Total liabilities	**42,421**	**50,826**	**5,485**	**45,341**	**-**

includes derivatives of a principal value of $20 million

30 June 2013	Carrying Amount $'000	Contractual cash flows $'000	1 Year or less $'000	Over 1 year to 5 years $'000	Over 5 years $'000
Liabilities					
Trade and other payables	173	173	173	-	-
Interest bearing loans and borrowings#	48,053	53,714	4,786	48,905	23
Total liabilities	**48,226**	**53,887**	**4,959**	**48,905**	**23**

includes derivatives of a principal value of $10 million

Carrying amount includes fair value of derivative liabilities. Contractual cash flows includes contracted debt and net swap payments using prevailing forward rates

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

30 June 2014	Floating interest rate $'000	Fixed interest less than 1 year $'000	Fixed interest 1 to 5 years $'000	Fixed interest over 5 years $'000	Non interest bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents	177	-	-	-	-	177
Receivables	-	-	-	-	793	793
Total financial assets	**177**	**-**	**-**	**-**	**793**	**970**
Weighted average interest rate*	2.06%					
Financial liabilities						
Related party loans	-	-	38,903	-	-	38,903
Derivatives	-	-	-	-	2,961	2,961
Payables	-	-	-	-	557	557
Total financial liabilities	**-**	**-**	**38,903**	**-**	**3,518**	**42,421**
Notional principal swap balance maturities*	-	-	20,000	-	-	20,000
Interest rate on drawn bank debt*	10.50%					

30 June 2013	Floating interest rate $'000	Fixed interest less than 1 year $'000	Fixed interest 1 to 5 years $'000	Fixed interest over 5 years $'000	Non interest bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents	2,042	-	-	-	-	2,042
Receivables	-	-	-	-	427	427
Total financial assets	**2,042**	**-**	**-**	**-**	**427**	**2,469**
Weighted average interest rate*	2.74%					
Financial liabilities						
Interest bearing liabilities - bank	6,657	-	-	-	-	6,657
Related party loans	-	-	38,439	-	-	38,439
Derivatives	-	-	-	-	2,957	2,957
Payables	-	-	-	-	173	173
Total financial liabilities	**6,657**	**-**	**38,439**	**-**	**3,130**	**48,226**
Notional principal swap balance maturities*	-	-	-	10,000	-	10,000
Interest rate on drawn bank debt*	10.50%					

* rate calculated at 30 June

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

10. FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

Summarised interest rate sensitivity analysis

	Carrying amount	-1%		+1%	
	Floating	Profit	Equity	Profit	Equity
30 June 2014	$'000	$'000	$'000	$'000	$'000
Financial assets	177	(2)		2	-
Financial liabilities	2,961	(836)		792	-

	Carrying amount	-1%		+1%	
	Floating	Profit	Equity	Profit	Equity
30 June 2013	$'000	$'000	$'000	$'000	$'000
Financial assets	2,042	(20)		20	-
Financial liabilities	2,957	(946)		997	-

The analysis for the interest rate sensitivity of financial liabilities includes derivatives.

(d) Fair values

In accordance with AASB 7 *Financial Instruments: Disclosures* and *AASB13 Fair Value Measurement* the Fund's financial instruments are classified into the following fair value measurement hierarchy:

Level 1 Quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 Inputs for the asset or liability that are not based on observable market data.

The following table presents the Fund's assets and liabilities measured and recognised at fair value at 30 June 2014.

	Level 1	Level 2	Level 3	Total
	2014	2014	2014	2014
30 June 2014	$'000	$'000	$'000	$'000
Non-current				
Interest-bearing loans and borrowings	-	-	38,903	38,903
Derivative liabilities	-	2,961	-	2,961
Total non-current	**-**	**2,961**	**38,903**	**41,864**

	Level 1	Level 2	Level 3	Total
	2013	2013	2013	2013
30 June 2013	$'000	$'000	$'000	$'000
Non-current				
Interest-bearing loans and borrowings	-	-	45,096	45,096
Derivative liabilities	-	2,957	-	2,957
Total non-current	**-**	**2,957**	**45,096**	**48,053**

There were no transfers between Levels 1, 2 and 3 during the year.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

10. FINANCIAL INSTRUMENTS (continued)

(d) Fair values (continued)

Determination of fair Value
The fair value of interest rate swaps is determined using a generally accepted pricing model on a discounted cash flow analysis using assumptions supported by observable market rates.

11. CONTRIBUTED EQUITY

	2014 $'000	2013 $'000
(a) Issued units		
Issued capital	20,000	20,000
Issue costs	(652)	(652)
Total contributed equity	19,348	19,348

(b) Movement in units on issue

	Value $'000	Number '000
At 30 June 2013	19,348	57,037
Units on issue at 30 June 2014	19,348	57,037

12. CAPITAL MANAGEMENT

The Fund 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 going concerns. The Fund also protects its equity in assets by taking out insurance.

The Fund 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, the Fund reviews its capital structure to ensure sufficient funds and financing facilities, on a cost effective basis are available to implement the Fund's strategy that adequate financing facilities are maintained and distributions to members are made within the stated distribution guidance.

The Fund 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 compliance with key banking covenants is set out below:

Metrics	Measure	Key details
Nature of facilities	Secured, non recourse	The Fund has no unsecured facilities
Debt covenants	Compliant	Key covenants include Bank LVR and a minimum number of settlements per quarter and per half

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

13. RELATED PARTY DISCLOSURES

(a) Responsible Entity

The Responsible entity of AWLF is Abacus Funds Management Limited, an Australian Financial Services Licence holder, whose immediate and ultimate holding company is Abacus Group Holding Limited (AGHL).

Transactions between the Fund and the Responsible Entity results from normal dealings with that company as the Fund's Responsible Entity.

(b) Details of Key Management Personnel

(i) Directors

John Thame	Chairman (Non-executive)
Frank Wolf	Managing Director
William Bartlett	Non-executive Director
Malcolm Irving	Non-executive Director
Myra Salkinder	Non-executive Director

(ii) Executives

E Varejes	Chief Operating Officer and Company Secretary
R Baulderstone	Chief Financial Officer
J L'Estrange	Director – Property Ventures
C Aarons	Head of Strategy
C Laird	Director – Property Ventures
Len Lloyd	Managing Director – Property Services

(iii) Other Key Management Personnel

In addition to the Directors noted above, Abacus Funds Management Limited, the Responsible Entity of the Trust is considered to be Key Management Personnel with the authority for the strategic direction and management of the Trust.

Compensation is paid to the Responsible Entity in the form of fees and is disclosed in Note 13(d).

(c) Fees

Abacus Funds Management Limited provides management and investment accounting services to the Fund.

All cost associated with the provision of investment accounting services are paid by the Responsible Entity, and are conducted on normal commercial terms and conditions.

In accordance with Fund's offer document and constitution, the Responsible Entity is entitled to receive a monthly management fee of 0.5% p.a. of the total assets of the Fund under the terms of the Constitution. However no fees were paid to the Responsible Entity during the year for management of the Fund (2013: Nil) as the Responsible Entity has waived these fees for the year ended 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

13. RELATED PARTY DISCLOSURES (continued)

(d) Transactions with related parties

	2014	2013
	$'000	$'000
Transactions with associates		
Expense		
Interest expense of loan from Abacus Finance Pty Ltd	3,988	3,532
Other transactions		
Loan advanced from Abacus Finance Pty Ltd	12,247	8,418
Loan repayments to Abacus Finance Pty Ltd	(5,770)	(6,971)
Debt Forgiveness	(10,000)	
Sale of investment property to associate	-	(6,345)

Terms and conditions of transactions

Sales and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured and settlement occurs in cash.

No provision for doubtful debts has been recognised or bad debts incurred with respect to amounts payable or receivable from related parties during the year.

14. COMMITMENTS AND CONTINGENCIES

The Fund has commitments for development expenditure of approximately $2.44 million (2013: $1.13 million)

15. AUDITOR'S REMUNERATION

	2014	2013
	$	$
Amounts received or due and receivable by Ernst & Young Australia for:		
- an audit of the financial report of the entity and any other entity	18,000	18,000
	18,000	**18,000**

16. EVENTS AFTER BALANCE SHEET DATE

Other than as disclosed in this report, there has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect, the Fund's operations in future financial years, the results of those operations or the Fund's state of affairs in future financial years.

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:

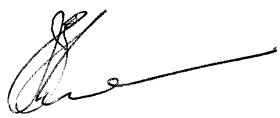
   (i) giving a true and fair view of the entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

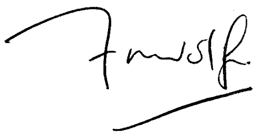
   (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b); and

c. there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable. The Fund has received an undertaking of support from AGHL.

On behalf of the Board





John Thame
Chairman
Sydney, 28 August 2014

Frank Wolf
Managing Director

Building a better working world

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Independent auditor's report to the members of Abacus Wodonga Land Fund

Report on the financial report

We have audited the accompanying financial report of Abacus Wodonga Land Fund ('the Fund'), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Abacus Funds Management Limited, the Responsible Entity of the Fund are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

In conducting our audit 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.

Opinion

In our opinion:

a. the financial report of Abacus Wodonga Land Fund is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the Fund's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Ernst & Young

Ernst & Young

Kathy Parsons
Partner
Sydney
28 August 2014