

Abacus Wodonga Land Fund

ARSN 114 756 188

Half-Year Financial Report

For the period ended 31 December 2018

This is the annexure of pages marked...'**A**'...
mentioned in ASIC form 7051
signed by me and dated

HALF-YEAR FINANCIAL REPORT

31 December 2018

Directory

Registered Entity

Abacus Funds Management Limited
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Level 34, Australia Square
264-278 George Street
SYDNEY NSW 2000
Tel: (02) 9253 8600
Fax: (02) 9253 8616
Website: www.abacusproperty.com.au

Auditor (Financial and Compliance Plan):

Ernst & Young
200 George Street
SYDNEY NSW 2000

Share Registry:

Boardroom Pty Ltd
Level 12, 225 George St
SYDNEY NSW 2000
Tel: 1300 737 760
Fax: 1300 653 459

Custodian:

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

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DIRECTORS' REPORT

31 December 2018

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 2018 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)
Steven Sewell	Managing Director
William Bartlett	Non-executive Director (retired on 15 November 2018)
Mark Haberin	Non-executive Director (appointed on 15 November 2018)
Holly Kramer	Non-executive Director (appointed on 13 December 2018)
Jingmin Qian	Non-executive Director
Myra Salkinder	Non-executive Director
Peter Spira	Non-executive Director (retired on 15 November 2018)

PRINCIPAL ACTIVITIES

The Fund operates in Australia and derives income from the investment in a residential land 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 and AFML is located at Level 34, 264-278 George Street, Sydney, NSW, 2000.

REVIEW AND RESULTS OF OPERATIONS

The Fund earned a net profit of \$2.5 million for the half-year ended 31 December 2018 (December 2017: \$1.2 million net profit).

Income from the sales of land during the period was \$6.7 million for 45 residential lots (December 2017: \$8.4 million – 61 residential lots).

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

DISTRIBUTIONS

There were no 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 half-year that has significantly affected, 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.

DIRECTORS' REPORT

31 December 2018

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 Fund under ASIC Corporations Instrument 2016/191. The Fund is an entity to which the Instrument applies.

AUDITOR'S INDEPENDENCE DECLARATION

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

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



John Thame
Chairman
Sydney, 15 February 2019

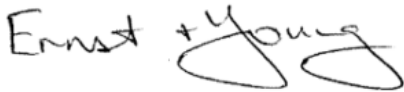


Steven Sewell
Managing Director

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

As lead auditor for the review of Abacus Wodonga Land Fund for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



Kathy Parsons
Partner
15 February 2019

STATEMENT OF COMPREHENSIVE INCOME
HALF-YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018	31 Dec 2017
	\$'000	\$'000
REVENUE		
Sale of inventory	6,672	8,374
Total Revenue	6,672	8,374
OTHER INCOME		
Interest Received	3	9
Other Income	-	6
Total Revenue and Other Income	6,675	8,389
Cost of inventory sales	(4,870)	(7,088)
Reversal of diminution of inventory	819	-
Other Expense	(117)	(130)
TOTAL NET PROFIT FOR THE PERIOD	2,507	1,171
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,507	1,171

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	31 Dec 2018 \$'000	30 Jun 2018 \$'000
CURRENT ASSETS			
Cash and cash equivalents		790	907
Trade and other receivables		414	561
Inventory	1(a)	7,791	8,421
TOTAL CURRENT ASSETS		8,995	9,889
NON-CURRENT ASSETS			
Inventory	1(b)	972	607
Other		10	13
TOTAL NON-CURRENT ASSETS		982	620
TOTAL ASSETS		9,977	10,509
CURRENT LIABILITIES			
Trade and other payables		225	773
TOTAL CURRENT LIABILITIES		225	773
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	2	4,774	7,265
TOTAL NON-CURRENT LIABILITIES		4,774	7,265
TOTAL LIABILITIES		4,999	8,038
NET ASSETS		4,978	2,471
EQUITY			
Contributed equity	3	19,348	19,348
Accumulated losses		(14,370)	(16,877)
TOTAL EQUITY		4,978	2,471

STATEMENT OF CASH FLOW
HALF-YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018	31 Dec 2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income receipts	6,670	8,112
Interest received	3	9
Operating payments	(252)	(305)
Payments for land acquisition and development costs (inventory)	(4,047)	(3,637)
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,374	4,179
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(4,391)	(5,889)
Proceeds from borrowings	1,900	1,550
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(2,491)	(4,339)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(117)	(160)
Cash and cash equivalents at beginning of period	907	613
CASH AND CASH EQUIVALENTS AT END OF PERIOD	790	453

STATEMENT OF CHANGES IN EQUITY
HALF-YEAR ENDED 31 DECEMBER 2018

	Issued capital \$'000	Retained earnings \$'000	Total Equity \$'000
At 1 July 2018	19,348	(16,877)	2,471
Total comprehensive income for the period	-	2,507	2,507
At 31 December 2018	19,348	(14,370)	4,978

	Issued capital \$'000	Retained earnings \$'000	Total Equity \$'000
At 1 July 2017	19,348	(19,388)	(40)
Total comprehensive income for the period	-	1,171	1,171
At 31 December 2017	19,348	(18,217)	1,131

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31 DECEMBER 2018

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		Operating assets and liabilities	Capital structure and financing costs	Other Items
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			3. Contributed equity	5. Summary of significant accounting policies
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NOTES TO THE FINANCIAL STATEMENTS – About this Report

31 DECEMBER 2018

The financial report of the Fund for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 15 February 2019.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

1. INVENTORY

	31 Dec 2018	30 Jun 2018
	\$'000	\$'000
(a) Current		
Projects ¹		
- purchase consideration	1,845	2,836
- development costs	3,470	6,932
- finance costs ²	8,122	8,014
- diminution ³	(5,646)	(9,361)
	7,791	8,421
(b) Non-current		
Projects ¹		
- purchase consideration	641	642
- development costs	2,052	1,972
- finance costs ²	383	344
- diminution ³	(2,104)	(2,351)
	972	607
Total inventory	8,763	9,028

1. Inventories are held at the lower of cost and net realisable value.
2. Finance costs were capitalised at interest rates of 6.5% during the half-year (30 June 2018: 6.5%)
3. Reversal of diminution of inventory was \$819,000 for the half-year (30 June 2018: nil)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. INTEREST BEARING LOANS AND BORROWINGS

	31 Dec 2018	30 Jun 2018
	\$'000	\$'000
(a) Non Current		
Abacus Finance Pty Ltd	4,774	7,265
	4,774	7,265
(b) Maturity profile of current and non-current interest bearing loans		
Due between one and five years	4,774	7,265
	4,774	7,265

Fixed rate loan with facility limit of up to \$45 million drawn to \$4.8 million at 31 December 2018 (30 June 2018: \$7.3 million) provided by Abacus Finance Pty Ltd to provide working capital and interest cost funding to the Fund. The interest rate on the borrowing was 6.5% per annum. The loan is due for repayment by 1 July 2020.

(c) Financing facilities available

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

	31 Dec 2018	30 Jun 2018
	\$'000	\$'000
Total facilities		
Abacus Finance Pty Ltd	45,000	45,000
Facilities used at reporting date		
Abacus Finance Pty Ltd	(4,774)	(7,265)
Facilities unused at reporting date	40,226	37,735

3. CONTRIBUTED EQUITY

	31 Dec 2018	30 Jun 2018
	\$'000	\$'000
(a) Issued units		
Issued Capital	20,000	20,000
Issue costs	(652)	(652)
Total contributed equity	19,348	19,348

	Number	Value
	'000	\$'000
(b) Movement in units on issue		
At 30 June 2018	57,037	19,348
Units on issue at 31 December 2018	57,037	19,348

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. COMMITMENTS AND CONTINGENCIES

There are no contingent assets or liabilities at 31 December 2018 other than as disclosed in this report.

5. 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 Annual 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 2018. It is also recommended that the half-year financial report be considered together with any public announcements made by the Abacus Wodonga Land Fund during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 30 June 2018 except for the adoption of new standards and interpretations effective as of 1 July 2018.

New accounting standards and interpretations

The Fund has adopted the following new standards which became applicable on 1 July 2018:

- AASB 15 Revenue from Contracts with Customers

AASB 15 replaces the revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations. AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 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.

The Fund has undertaken an analysis to scope out its revenue streams to identify specific impacts of the Standard. The Fund has assessed that there will be no change to the recognition or measurement of revenue upon application of the Standard other than the reclassification of certain comparatives in the income statement for consistency with the current period's revenue classification. Revenue from third parties are recognised as goods are sold or as services are provided.

- AASB 9 Financial Instruments

Impact of adoption

This standard includes new requirements for classification and measurement, impairment and hedge accounting of financial instruments compared with the requirements of AASB 139 Financial Instruments: Recognition and Measurement.

The Fund has adopted AASB 9 and related amendments from 1 July 2018. Comparative results are not restated as permitted by the standard. The cumulative effect on initial application of AASB 9 is immaterial for the Fund, there is no impact from the application of AASB 9 on the financial statements.

(i) Classification and measurement

Financial assets previously held at fair value continue to be measured at fair value. Trade and other receivables are held to collect contractual cash flows and these contractual cash flows are solely payments of principal.

The Fund has fixed rate borrowing facilities from Abacus Finance Pty Ltd. Under AASB 9, the accounting for the modification of a financial liability that has not resulted in derecognition, requires an adjustment to the amortised cost of the liability (due to discounting using the original effective interest rate), with any gain or loss being recognised immediately in the statement of comprehensive income. Under the previous standard AASB 139, the gain or loss was recognised over the remaining life of the borrowing by adjusting the effective interest rate. The Fund has assessed that the cumulative effect is immaterial, as a result, there is no impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**New accounting standards and interpretations (continued)**

(ii) Impairment

Under AASB 9, the Fund's accounting for impairment losses for financial assets is fundamentally changed, by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Fund has applied the simplified approach and recorded lifetime expected losses on trade and other receivables. The ECL on trade and other receivables is immaterial.

(iii) Hedge accounting

As the Fund did not have any hedge relationships that are designated as effective hedges in place as at 30 June 2018, there is no impact from the application of hedging requirements on the financial statements.

Accounting policies

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The impact of the standard on financial assets and liabilities is set out below.

(i) Classification

From 1 July 2018, the Fund classifies its financial assets as cash, trade and other receivables are measured at amortised cost. These are held to collect contractual cash flows and these contractual cash flows are solely payments of principal.

(ii) Measurement

Trade receivables at initial recognition are measured at their transaction price if they do not contain a significant financing component.

Interest bearing liabilities are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing. After initial recognition, interest bearing liabilities are subsequently measured at amortised cost using the effective interest method. Fees paid in the establishment of interest bearing liabilities are included as part of the carrying amount of interest bearing liability.

(iii) Impairment

From 1 July 2018, for trade and other receivables, the Fund applies the simplified approach permitted by the standard, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

6. 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 half-year that has significantly affected, 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.

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 and notes of the Fund are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2018 and the performance for the half-year ended on that date for the Fund; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* 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
Sydney, 15 February 2019



Steven Sewell
Managing Director

Independent Auditor's Review Report to the Unitholders of Abacus Wodonga Land Fund

Report on the Half-Year Financial Report

Conclusion

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 2018, 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the financial position of the Fund as at 31 December 2018 and of its financial 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*.

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 control as the directors determine is 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 a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2018 and its financial 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 the 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*.



Ernst & Young



Kathy Parsons
Partner
Sydney
15 February 2019