

Abacus Wodonga Land Fund

ARSN 114 756 188

Half-Year Financial Report

For the period ended 31 December 2019

HALF-YEAR FINANCIAL REPORT

31 December 2019

Directory

Responsible Entity

Abacus Funds Management Limited
ABN: 66 007 415 590

Auditor (Financial and Compliance Plan):

Ernst & Young
200 George Street
SYDNEY NSW 2000

Registered Office:

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

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 2019**

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 2019 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.

Myra Salkinder	Chair (Non-executive) (appointed Chair 30 August 2019)
Steven Sewell	Managing Director
Trent Alston	Non-executive Director (appointed 18 September 2019)
Mark Haberin	Non-executive Director (Lead Independent)
Holly Kramer	Non-executive Director
Jingmin Qian	Non-executive Director
John Thame	Chair (Non-executive) (retired 30 August 2019)

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 \$0.02 million for the half-year ended 31 December 2019 (December 2018: \$2.5 million net profit).

Income from the sales of land during the period was \$6.3 million for 40 residential lots (December 2018: \$6.7 million – 45 residential lots).

Based on the reduction in demand and the design of the remaining stages which includes a steep gradient an impairment of \$1.96 million has been raised.

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 will be dependent on the rate and 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 2019

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)



Myra Salkinder
Chair
Sydney, 18 February 2020



Steven Sewell
Managing Director



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

As lead auditor for the review of the half-year financial report of Abacus Wodonga Land Fund for the half-year ended 31 December 2019, 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
Ernst & Young

Anthony Ewan
Partner
18 February 2020

STATEMENT OF COMPREHENSIVE INCOME

HALF-YEAR ENDED 31 DECEMBER 2019

	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
REVENUE		
Sale of inventory	6,279	6,672
Total Revenue	6,279	6,672
OTHER INCOME		
Interest received	9	3
Other income	13	-
Total Revenue and Other Income	6,301	6,675
Cost of inventory sales	(4,209)	(4,870)
Reversal of diminution / impairment of inventory	(1,960)	819
Other Expense	(111)	(117)
TOTAL NET PROFIT FOR THE PERIOD	21	2,507
Income tax expense	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	21	2,507

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	31 Dec 2019 \$'000	30 Jun 2019 \$'000
CURRENT ASSETS			
Cash and cash equivalents		3,423	324
Trade and other receivables		517	554
Inventory	1(a)	1,620	5,192
TOTAL CURRENT ASSETS		5,560	6,070
NON-CURRENT ASSETS			
Inventory	1(b)	-	1,220
Other		9	10
TOTAL NON-CURRENT ASSETS		9	1,230
TOTAL ASSETS		5,569	7,300
CURRENT LIABILITIES			
Trade and other payables		51	253
TOTAL CURRENT LIABILITIES		51	253
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	2	-	1,550
TOTAL NON-CURRENT LIABILITIES		-	1,550
TOTAL LIABILITIES		51	1,803
NET ASSETS		5,518	5,497
EQUITY			
Contributed equity	3	19,348	19,348
Accumulated losses		(13,830)	(13,851)
TOTAL EQUITY		5,518	5,497

STATEMENT OF CASH FLOW

HALF-YEAR ENDED 31 DECEMBER 2019

	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income receipts	6,292	6,670
Interest received	9	3
Operating payments	(98)	(252)
Payments for land acquisition and development costs (inventory)	(1,554)	(4,047)
NET CASH FLOWS FROM OPERATING ACTIVITIES	4,649	2,374
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(1,550)	(4,391)
Proceeds from borrowings	-	1,900
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(1,550)	(2,491)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,099	(117)
Cash and cash equivalents at beginning of period	324	907
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,423	790

STATEMENT OF CHANGES IN EQUITY

HALF-YEAR ENDED 31 DECEMBER 2019

	Issued capital \$'000	Retained earnings \$'000	Total Equity \$'000
At 1 July 2019	19,348	(13,851)	5,497
Total comprehensive income for the period	-	21	21
At 31 December 2019	19,348	(13,830)	5,518

	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

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NOTES TO THE FINANCIAL STATEMENTS – About this Report

31 DECEMBER 2019

The financial report of the Fund for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 18 February 2020.

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 2019

1. INVENTORY

	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
(a) Current		
Projects ¹		
- purchase consideration	877	1,104
- development costs	4,809	3,318
- finance costs ²	716	4,176
- diminution	(4,783)	(3,406)
	1,620	5,192
(b) Non-current		
Projects ¹		
- purchase consideration	-	641
- development costs	-	2,268
- finance costs ²	-	415
- diminution	-	(2,104)
	-	1,220
Total inventory	1,620	6,412

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 2019: 6.5%)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. INTEREST BEARING LOANS AND BORROWINGS

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
(a) Non Current		
Abacus Finance Pty Ltd	-	1,550
	-	1,550
(b) Maturity profile of current and non-current interest bearing loans		
Due between one and five years	-	1,550
	-	1,550

Fixed rate loan with facility limit of up to \$45 million drawn to nil million at 31 December 2019 (30 June 2019: \$1.6 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.

(c) Financing facilities available

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

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Total facilities		
Abacus Finance Pty Ltd	45,000	45,000
Facilities used at reporting date		
Abacus Finance Pty Ltd	-	(1,550)
Facilities unused at reporting date	45,000	43,450

3. CONTRIBUTED EQUITY

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
(a) Issued units		
Issued Capital	20,000	20,000
Issue costs	(652)	(652)
Total contributed equity	19,348	19,348

	Number 31 Dec 2019 '000	Number 30 Jun 2019 '000
(b) Movement in units on issue		
At 30 June 2019	57,037	57,037
Units on issue at 31 December 2019	57,037	57,037

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

4. COMMITMENTS AND CONTINGENCIES

There are no contingent assets or liabilities at 31 December 2019 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 2019. 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 2019 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 2019 except for the adoption of new standards and interpretations effective as of 1 July 2019.

New accounting standards and interpretations

The Fund has adopted the following new standards which became applicable on 1 July 2019:

- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle
- AASB Interpretation 23 Uncertainty over Income Tax Treatments, and relevant amending standards

The adoption of these amended standards and interpretation has no material impact on the financial results of the Fund.

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Fund for the half-year ended 31 December 2019. The impact of these new standards or amendments to the standards (to the extent relevant to the Fund) and interpretations is as follows:

- AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business (effective from 1 January 2020)

This amends AASB 3 - Business Combinations to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. This amendment is not expected to have a significant impact on the financial statements on application.

- AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (effective from 1 January 2020)

This amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, to clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. This amendment is not expected to have a significant impact on the financial statements on application.

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 2019 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



Myra Salkinder
Chair
Sydney, 18 February 2020



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 2019, 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 2019 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 2019 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.



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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Anthony Ewan
Partner
Sydney
18 February 2020