

# HALF-YEAR FINANCIAL REPORT

31 December 2016

## Directory

### Responsible Entity

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

### Custodian:

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

### Auditor (Financial and Compliance Plan):

Ernst & Young  
200 George Street  
SYDNEY NSW 2000

### Share Registry:

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

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## **DIRECTORS' REPORT**

**31 December 2016**

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 2016 and the auditor's report thereon.

### **DIRECTORS**

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

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

### **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 incurred a net loss of \$0.2 million for the half-year ended 31 December 2016 (December 2015: \$0.2 million loss).

Income from the sales of land during the period was \$10.1 million for 75 residential lots (December 2015: \$8.3 million – 65 residential lots).

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.

### **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 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 2016


### 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, 17 February 2017

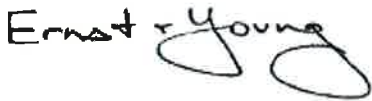


Frank Wolf  
Managing Director

## 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 2016, 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  
17 February 2017

**STATEMENT OF COMPREHENSIVE INCOME**  
**HALF-YEAR ENDED 31 DECEMBER 2016**

	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
<b>REVENUE</b>		
Sale of inventory	10,146	8,290
<b>Total Revenue</b>	<b>10,146</b>	<b>8,290</b>
<b>OTHER INCOME</b>		
Interest Received	6	9
Other	6	2
<b>Total Revenue and Other Income</b>	<b>10,158</b>	<b>8,301</b>
Cost of inventory sales	(10,146)	(8,290)
Other	(182)	(260)
<b>LOSS BEFORE TAX</b>	<b>(170)</b>	<b>(249)</b>
Income tax expense	-	-
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD</b>	<b>(170)</b>	<b>(249)</b>

**STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2016

	Notes	31 Dec 2016 \$'000	30 Jun 2016 \$'000
<b>CURRENT ASSETS</b>			
Inventory	1(a)	8,894	13,878
Cash and cash equivalents		301	711
Trade and other receivables		472	755
<b>TOTAL CURRENT ASSETS</b>		<b>9,667</b>	<b>15,344</b>
<b>NON-CURRENT ASSETS</b>			
Inventory	1(b)	4,754	4,712
Other		13	13
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,767</b>	<b>4,725</b>
<b>TOTAL ASSETS</b>		<b>14,434</b>	<b>20,069</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		737	684
<b>TOTAL CURRENT LIABILITIES</b>		<b>737</b>	<b>684</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	2	15,546	21,064
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>15,546</b>	<b>21,064</b>
<b>TOTAL LIABILITIES</b>		<b>16,283</b>	<b>21,748</b>
<b>NET LIABILITIES</b>		<b>(1,849)</b>	<b>(1,679)</b>
<b>EQUITY</b>			
Contributed equity	3	19,348	19,348
Accumulated losses		(21,197)	(21,027)
<b>TOTAL EQUITY</b>		<b>(1,849)</b>	<b>(1,679)</b>

**STATEMENT OF CASH FLOW**  
**HALF-YEAR ENDED 31 DECEMBER 2016**

	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income receipts	9,811	7,499
Interest received	7	13
Operating payments	(88)	(180)
Payments for land acquisition and development costs (inventory)	(4,106)	(5,005)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>5,624</b>	<b>2,327</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(2)	(6)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(2)</b>	<b>(6)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(8,582)	(4,161)
Proceeds from borrowings	2,550	1,500
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(6,032)</b>	<b>(2,661)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(410)</b>	<b>(340)</b>
Cash and cash equivalents at beginning of period	711	1,005
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>301</b>	<b>665</b>

**STATEMENT OF CHANGES IN EQUITY**  
**HALF-YEAR ENDED 31 DECEMBER 2016**

	Issued capital \$'000	Retained earnings \$'000	Total Equity \$'000
<b>At 1 July 2016</b>	19,348	(21,027)	(1,679)
Total comprehensive expense for the period	-	(170)	(170)
<b>At 31 December 2016</b>	<b>19,348</b>	<b>(21,197)</b>	<b>(1,849)</b>

	Issued capital \$'000	Retained earnings \$'000	Total Equity \$'000
<b>At 1 July 2015</b>	19,348	(20,628)	(1,280)
Total comprehensive expense for the period	-	(249)	(249)
<b>At 31 December 2015</b>	<b>19,348</b>	<b>(20,877)</b>	<b>(1,529)</b>



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31 DECEMBER 2016

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## NOTES TO THE FINANCIAL STATEMENTS – About this Report

31 DECEMBER 2016

The financial report of the Fund for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 17 February 2017.

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.

### ***Net asset deficiency***

At 31 December 2016, the Fund had a net asset deficiency of \$1.8m (30 June 2016: \$1.7m). 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.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2016

**1. INVENTORY**

	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
<b>(a) Current</b>		
Projects <sup>1</sup>		
- purchase consideration	2,682	3,946
- development costs	2,139	11,034
- finance costs <sup>2</sup>	9,481	6,194
- diminution	(5,408)	(7,296)
	<b>8,894</b>	<b>13,878</b>
<b>(b) Non-current</b>		
Projects <sup>1</sup>		
- purchase consideration	3,574	1,748
- development costs	5,958	8,937
- finance costs <sup>2</sup>	2,729	3,217
- diminution	(7,507)	(9,190)
	<b>4,754</b>	<b>4,712</b>
<b>Total inventory</b>	<b>13,648</b>	<b>18,590</b>

- Inventories are held at the lower of cost and net realisable value.
- Finance costs were capitalised at interest rates of 6.5% during the half-year (30 June 2016: 6.5% )

**2. INTEREST BEARING LOANS AND BORROWINGS**

	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
<b>(a) Non Current</b>		
Abacus Finance Pty Ltd	15,546	21,064
	<b>15,546</b>	<b>21,064</b>
<b>(b) Maturity profile of current and non-current interest bearing loans</b>		
Due between one and five years	15,546	21,064
	<b>15,546</b>	<b>21,064</b>

Fixed rate loan of up to \$45 million drawn to \$15.5m at 31 December 2016 (30 June 2016: \$21.1 million) provided by Abacus Finance Pty Ltd to provide working capital funding to the Fund. The loan is due for repayment by 1 July 2020.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2016

**2. INTEREST BEARING LOANS AND BORROWINGS (continued)**

**(c) Financing facilities available**

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

	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
<b>Total facilities</b>		
Abacus Finance Pty Ltd	45,000	45,000
<b>Facilities used at reporting date</b>		
Abacus Finance Pty Ltd*	(15,546)	(21,064)
<b>Facilities unused at reporting date</b>	<b>29,454</b>	<b>23,936</b>

\* The \$15.5 million reflects principal of \$15.5 million.

**3. CONTRIBUTED EQUITY**

	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
<b>(a) Issued units</b>		
Issued Capital	20,000	20,000
Issue costs	(652)	(652)
<b>Total contributed equity</b>	<b>19,348</b>	<b>19,348</b>

	Units	
	Number	Value
	'000	\$'000
<b>(b) Movement in units on issue</b>		
At 30 June 2016	57,037	19,348
Units on issue at 31 December 2016	57,037	19,348

**4. COMMITMENTS AND CONTINGENCIES**

There are no contingent assets or liabilities at 31 December 2016 other than as disclosed in this report.

**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2016****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 2016. 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 2016 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**Changes in accounting policy and disclosures**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Fund's annual consolidated financial statements for the year ended 30 June 2016, except for the adoption of new standards and interpretations effective as of 1 July 2016.

The Fund has adopted the following new or amended standards which became applicable on 1 July 2016:

- AASB 2014-4 – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 1057 – Application of Accounting Standards
- AASB 2015-1 – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 – Disclosure Initiative: Amendments for AASB 101 Presentation of Financial Statements
- AASB 2015-9 – Scope and Application Paragraphs (AASB 8, AASB 133 and AASB 1057)

The adoption of these amended standards has no material impact on the financial statements of the Fund.

**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 entity are in accordance with the *Corporations Act 2001*, including :
  - (i) giving a true and fair view of the financial position as at 31 December 2016 and the performance for the half-year ended on that date for the entity; 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 entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



John Thame  
Chairman  
Sydney, 17 February 2017



Frank Wolf  
Managing Director

To the unitholders of Abacus Wodonga Land Fund

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Abacus Wodonga Land Fund (the 'Fund'), which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Fund.

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

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Abacus Wodonga Land Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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

## Conclusion

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

- a) giving a true and fair view of the Fund's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Kathy Parsons  
Partner  
Sydney  
17 February 2017