

Appendix 4D

Abacus Property Group

(comprising Abacus Group Holdings Limited and its controlled entities, Abacus Trust and its controlled entities, Abacus Income Trust and its controlled entities and Abacus Group Projects Limited and its controlled entities, Abacus Storage Property Trust and its controlled entities, Abacus Storage Operations Limited and its controlled entities)

The Appendix 4D should be read in conjunction with the interim financial report and the most recent annual financial report.

ABN: 31 080 604 619

Interim Financial Report

For the half year ended 31 December 2017

Results for announcement to the market

(corresponding period half year ended 31 December 2016)

Total revenues and other income	down	23%	to	\$204.1m
Net profit after income tax expense attributable to members of the Group	down	39%	to	\$117.5m
Underlying profit ⁽¹⁾	up	11%	to	\$77.3m

- (1) The underlying profit reflects the statutory profit / (loss) as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of the Group, in accordance with the AICD / Finsia principles for reporting underlying profit. Adjustments have been adjusted for the fair value of investments held at balance date.

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Consolidated statutory net profit after tax attributable to members of the Group	117,507	191,716
less: consolidated profits relating to managed funds (these profits are excluded as the profits of the managed funds cannot and do not form part of the assessable and distributable income of Abacus)	(511)	(30,301)
Net profit attributable to ABP securityholders	116,996	161,415
Certain significant items:		
Net change in fair value of investment properties held at balance date	(33,994)	(60,966)
Net gain in fair value of investments and financial instruments held at balance date	4,980	(15,319)
Net gain in fair value of derivatives	(1,544)	(3,093)
Net change in fair value of property, plant and equipment and investment properties included in equity accounted investments	(7,561)	(15,903)
Tax expense / (benefit) on significant items	(1,543)	3,359
Underlying profit attributable to ABP securityholders	77,334	69,493
Basic earnings per security (cents)	20.37	33.76
Basic underlying earnings per security^ (cents)	13.41	12.24
Distribution per security (cents - including proposed distribution)	9.00	8.75
Weighted average securities on issue (million)	576.9	567.9
^Abacus		

Distributions	per stapled security
December 2017 half	9.00 cents
This distribution was declared on 12 January 2018 and will be paid on or about 28 February 2018	
Record date for determining entitlement to the distributions	18 January 2018

Refer to the attached announcement for a detailed discussion of the Abacus Property Group's results and the above figures for the half year ended 31 December 2017.

Details of individual and total distribution payments to securityholders	per stapled security	Total
Final June 2017 distribution	paid 31 August 2017	8.75 cents
\$50.4m		
The distributions were paid in full by Abacus Trust, Abacus Income Trust and Abacus Storage Property Trust which do not pay tax, hence there were no franking credits attached.		

	31 December 2017	30 June 2017
Net tangible assets per security ⁽²⁾	\$3.13	\$3.02

(2) Net tangible assets per security excludes the external non-controlling interest.

The Group has neither gained or lost control of any entities during the period.

Details of associates and joint venture entities				
	Ownership Interest		Share of net profit/(loss)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	%	%	\$'000	\$'000
Australian Aggregation Head Trust	25	25	12,830	4,933
Fordtrans Pty Ltd (Virginia Park)	50	50	924	(3,173)
Oasis JV Unit Trust	40	40	1,353	1,246
Queensberry Street Carlton Unit Trust	50	50	5,562	-
St Leonards JV Unit Trust	50	50	18,650	670
Other	10- 50	10- 50	1,585	26,829
			40,904 *	30,505

* The equity accounted profits/losses includes a fair value increment of \$7.6 million

Distribution Reinvestment Plan (DRP)

The Abacus Property Group DRP allows securityholders to reinvest their distributions into APG securities at the market price. Information on the terms of the DRP is available from our website www.abacusproperty.com.au.

Securityholders wishing to participate in the DRP may lodge their election notice at any time. The record date for determining entitlements to each distribution is also the record date for participation in the DRP for that distribution.

Abacus Property Group

ABN 31 080 604 619

Financial Report

For the half year ended 31 December 2017

HALF-YEAR FINANCIAL REPORT

31 December 2017

Directory

Abacus Group Holdings Limited

ABN: 31 080 604 619

Abacus Group Projects Limited

ABN: 11 104 066 104

Abacus Storage Operations Limited

ABN: 37 112 457 075

Abacus Funds Management Limited

ABN: 66 007 415 590

Abacus Storage Funds Management Limited

ABN: 41 109 324 834

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

Auditor (Financial and Compliance Plan):

Ernst & Young
200 George Street
SYDNEY NSW 2000

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It is recommended that this Half-Year Financial Report should be read in conjunction with the Half-Year Financial Report of Abacus Trust, Abacus Group Projects Limited, Abacus Income Trust, Abacus Storage Property Trust and Abacus Storage Operations Limited as at 31 December 2017 and Abacus Property Group's 30 June 2017 Annual Financial Report. It is also recommended that the report be considered together with any public announcements made by the Abacus Property Group in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

DIRECTORS' REPORT

31 December 2017

The Directors present their report for the period ended 31 December 2017.

DIRECTORS

The Directors of Abacus Group Holdings Limited ("AGHL"), Abacus Funds Management Limited ("AFML") - the Responsible Entity of Abacus Trust ("AT") and Abacus Income Trust ("AIT"), Abacus Group Projects Limited ("AGPL"), Abacus Storage Funds Management Limited ("ASFML") - the Responsible Entity of Abacus Storage Property Trust ("ASPT") and Abacus Storage Operations Limited ("ASOL") 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 (retired on 14 November 2017)
Jingmin Qian	Non-executive Director (appointed on 26 September 2017)
Myra Salkinder	Non-executive Director
Peter Spira	Non-executive Director

On 17 January 2018 it was announced that Frank Wolf would retire as Managing Director on 1 July 2018 and Steven Sewell would be appointed as Managing Director on 2 July 2018.

STRUCTURE AND PRINCIPAL ACTIVITIES

Listed Structure / Entities

The listed Abacus Property Group is a diversified property group that operates predominantly in Australia. It comprises AGHL, AT, AGPL, AIT, ASPT and ASOL (collectively "Abacus") and its securities trade on the Australian Securities Exchange ("ASX") as ABP. Abacus was listed on the ASX in November 2002 and its market capitalisation was over \$2.3 billion at 31 December 2017. Abacus is included in the S&P/ASX 200 A-REIT index (ASX:XPJ), a sub-index of the S&P/ASX 200 index that contains the listed vehicles classified as A-REITs.

Shares in AGHL, AGPL and ASOL and units in AT, AIT and ASPT have been stapled together so that none can be dealt with without the others and are traded together on the ASX as Abacus securities. An Abacus security consists of one share in AGHL, one unit in AT, one share in AGPL, one unit in AIT, one share in ASOL and one unit in ASPT. A transfer, issue or reorganisation of a share or unit in any of the component parts requires, while they continue to be stapled, a corresponding transfer, issue or reorganisation of a share or unit in each of the other component parts.

AGHL, AGPL and ASOL are companies that are incorporated and domiciled in Australia. AT, AIT and ASPT are Australian registered managed investment schemes. AFML is the Responsible Entity of AT and AIT and ASFML is the Responsible Entity of ASPT. Both AFML and ASFML are incorporated and domiciled in Australia and are wholly-owned subsidiaries of AGHL.

Abacus Property Group Consolidation

The application of AASB10 by Abacus results in the consolidation of Abacus Hospitality Fund and Abacus Wodonga Land Fund (the "Group"). This is due to the combination of Abacus' role as responsible entity, variable returns arising from its collective equity and loan investments in these funds.

AGHL has been identified as the parent entity of the Group. The financial reports of the Group for the half-year ended 31 December 2017 comprise the consolidated financial reports of AGHL and its controlled entities, AT and its controlled entities, AGPL and its controlled entities, AIT and its controlled entities, ASOL and its controlled entities, ASPT and its controlled entities, Abacus Hospitality Fund ("AHF") and its controlled entities and Abacus Wodonga Land Fund ("AWLF").

The principal activities of Abacus that contributed to its earnings during the course of the half-year ended 31 December 2017 included:

- investment in self-storage, office, retail and industrial properties to derive rental and fee income; and
- participation in property and residential developments to derive interest income and development profits.

These activities are reported in the segment information note.

DIRECTORS' REPORT

31 December 2017

GROUP RESULTS SUMMARY

The Group earned a statutory net profit excluding external non-controlling interests of \$117.5 million for the half-year ended 31 December 2017 (December 2016: \$191.7 million). This profit has been calculated in accordance with Australian Accounting Standards. It includes certain significant items that are adjusted to enable securityholders to obtain an understanding of Abacus' underlying profit of \$77.3 million (December 2016: \$69.5 million).

The underlying profit is derived from the statutory profit and presents a figure which the Directors' believe is useful in understanding the result of the ongoing business activities of Abacus. The underlying profit has been prepared in accordance with the AICD / Finsia reporting principles. The consolidated profits / losses which belong to the securityholders of Abacus Hospitality Fund and Abacus Wodonga Land Fund are excluded as these profits cannot and do not form part of the distributable income of Abacus. The calculation of underlying profit excludes unrealised fair value gains / losses on investment properties, adjustments arising from the effect of revaluing assets / liabilities carried at fair value (such as derivatives, financial instruments and investments), the consolidated profits / losses of managed funds which do not form part of the assessable or distributable profits of Abacus and other non-recurring adjustments deemed significant on account of their nature. Underlying profit is the basis on which distributions are determined.

The reconciliation between the Group's statutory profit excluding non-controlling interests and Abacus' underlying profit is below. This reconciliation and the underlying profit has not been reviewed or audited by the Group's auditor.

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Consolidated statutory net profit after tax attributable to members of the Group	117,507	191,716
less: Consolidated profits relating to the managed funds (these profits are excluded as the profits of the managed funds cannot and do not form part of the assessable and distributable income of Abacus)	(511)	(30,301)
Net profit attributable to Abacus securityholders	116,996	161,415
Certain significant items:		
Net change in fair value of investment properties held at balance date	(33,994)	(60,966)
Net change in fair value of investments and financial instruments held at balance date	4,980	(15,319)
Net change in fair value of derivatives	(1,544)	(3,093)
Net change in fair value of property, plant and equipment and investment properties included in equity accounted investments	(7,561)	(15,903)
Net tax expense / (benefit) on significant items	(1,543)	3,359
Underlying profit attributable to Abacus securityholders	77,334	69,493
	31 Dec 2017	31 Dec 2016
Basic earnings per security (cents)	20.37	33.76
Basic underlying earnings per security^ (cents)	13.41	12.24
Distribution per security^ (cents - including proposed distribution)	9.00	8.75
Weighted average securities on issue (million)	576.9	567.9

^Abacus

DIRECTORS' REPORT

31 December 2017

GROUP RESULTS SUMMARY (continued)

Abacus continued to be a cautious acquirer of new properties. Abacus remains committed that all new acquisitions are backed by strong property fundamentals and present a sound value proposition. Abacus purchased the following properties during the period: 257 Leitchs Road, Brendale for \$11 million, 187 Todd Road, Port Melbourne for \$44 million and two storage facilities in Stafford and Robina Queensland.

The Abacus investment portfolio was revalued at 31 December 2017 which resulted in a gain of \$34.0 million or a 2.2% increase on prior book values. In addition, there was a \$7.6 million gain for the period on the fair value of investment properties held in Abacus' third party capital platform. The investment property portfolio's overall weighted average capitalisation rate tightened 18 basis points from 7.13% to 6.95%. The investment portfolio (including equity accounted properties) is now valued at over \$1.93 billion including \$1.27 billion of commercial properties across 34 assets and \$656 million of storage facilities across 67 assets.

The reconciliation between the Group's statutory profit excluding non-controlling interests, Abacus' underlying profit and funds from operation ("FFO") is below. This reconciliation and the FFO has not been reviewed or audited by the Group's auditor.

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Abacus funds from operations ("FFO")	79,286	60,095
Adjust for:		
Net change in fair value of investment properties derecognised	(28)	10,875
Depreciation on owner occupied property, plant and equipment	(331)	(335)
Amortisation of rent abatement incentives	(890)	(462)
Amortisation of other tenant incentives	(811)	(781)
Tax (benefit)/expense on Non-FFO Items	108	101
Underlying profit attributable to Abacus securityholders	77,334	69,493
Net change in fair value of investment properties held at balance date	33,994	60,966
Net change in fair value of investments and financial instruments held at balance date	(4,980)	15,319
Net change in fair value of derivatives	1,544	3,093
Net change in fair value of property, plant and equipment and investment properties included in equity accounted investments	7,561	15,903
Net tax expense on significant items	1,543	(3,359)
Consolidated statutory net profit after tax attributable to members of the Group	116,996	161,415

FFO has been determined with reference to the updated Property Council of Australia's voluntary disclosure guidelines to help investors and analysts compare Australian real estate organisations. FFO is calculated by adding back tenant incentive amortisation, depreciation on owner occupied property, plant & equipment (PP&E), change in fair value of investment properties derecognised and non-FFO tax benefit/expense to underlying profit.

CHANGES IN THE STATE OF AFFAIRS

The contributed equity of the Group increased \$7.3 million to \$1,588.5 million compared to \$1,581.2 million as at 30 June 2017 due to securityholder participation in the distribution reinvestment plan.

Total equity increased by \$62.5 million to \$1,877.1 million at 31 December 2017 compared to \$1,814.6 million at 30 June 2017.

DISTRIBUTIONS

An interim distribution of 9.00 cents per Abacus stapled security was declared on 12 January 2018 which will be paid on 28 February 2018. Distributions are paid on a semi-annual basis.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Other than as disclosed already in this report and to the knowledge of directors, there has been no matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may affect, the Group's operations in future financial periods, the results of those operations or the Group's state of affairs in future financial periods.

DIRECTORS' REPORT

31 December 2017

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 Corporations Instrument 2016/191. The Group 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 6.

Signed in accordance with a resolution of the directors.
Abacus Group Holdings Limited (ABN 31 080 604 619)



John Thame
Chairman
Sydney, 16 February 2018



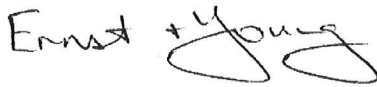
Frank Wolf
Managing Director

Auditor's Independence Declaration to the Directors of Abacus Group Holdings Limited

As lead auditor for the review of Abacus Group Holdings Limited for the half-year ended 31 December 2017, 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.

This declaration is in respect of Abacus Group Holdings Limited and the entities it controlled during the financial period.



Ernst & Young



Kathy Parsons
Partner
16 February 2018

CONSOLIDATED INCOME STATEMENT

HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	31 Dec 2017 \$'000	31 Dec 2016 \$'000
REVENUE			
Rental income		74,193	76,349
Hotel income		14,224	19,968
Finance income		25,446	19,045
Fee income		2,481	2,971
Sale of inventory		8,374	10,146
Total Revenue		124,718	128,479
OTHER INCOME			
Net change in fair value of investments and financial instruments derecognised		824	4,957
Net gain on sale of property, plant and equipment		-	11,817
Net change in fair value of investment properties and property, plant and equipment held at balance date		33,994	80,299
Net change in fair value of derivatives		1,544	3,408
Share of profit from equity accounted investments	5(a)	40,904	30,505
Other income		2,145	4,382
Total Revenue and Other Income		204,129	263,847
Property expenses and outgoings		(22,891)	(20,549)
Hotel expenses		(10,376)	(14,464)
Depreciation and amortisation expense		(2,434)	(1,265)
Cost of inventory sales		(5,860)	(8,146)
Net change in fair value of investment properties derecognised		(28)	12,613
Net change in fair value of investments held at balance date		(4,980)	15,567
Finance costs		(15,207)	(19,144)
Administrative and other expenses		(13,627)	(13,875)
PROFIT BEFORE TAX		128,726	214,584
Income tax expense		(10,322)	(16,356)
NET PROFIT AFTER TAX		118,404	198,228
PROFIT ATTRIBUTABLE TO:			
Equity holders of the parent entity (AGHL)		14,746	59,521
<i>Equity holders of other stapled entities</i>			
AT members		72,538	100,476
AGPL members		465	4,115
AIT members		(2,467)	2,152
ASPT members		10,851	6,145
ASOL members		21,374	19,307
Stapled security holders		117,507	191,716
Net profit attributable to external non-controlling interests		897	6,512
NET PROFIT		118,404	198,228

Basic and diluted earnings per stapled security (cents)

1

20.37

33.76

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HALF-YEAR ENDED 31 DECEMBER 2017

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
NET PROFIT AFTER TAX	118,404	198,228
OTHER COMPREHENSIVE INCOME		
<i>Items that will not be reclassified subsequently to the income statement</i>		
Revaluation of assets, net of tax	985	(1,717)
<i>Items that may be reclassified subsequently to the income statement</i>		
Foreign exchange translation adjustments, net of tax	(2,508)	452
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	116,881	196,963
Total comprehensive income attributable to:		
Members of the Group	115,592	191,134
External non-controlling interests	1,289	5,829
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	116,881	196,963
Total comprehensive income / (loss) attributable to members of the Group analysed by amounts attributable to:		
AGHL members	15,339	58,487
AT members	72,538	100,476
AGPL members	465	4,115
AIT members	(2,467)	2,152
ASPT members	8,396	6,553
ASOL members	21,321	19,351
TOTAL COMPREHENSIVE INCOME AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE GROUP	115,592	191,134

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	31 Dec 2017 \$'000	30 Jun 2017 \$'000
CURRENT ASSETS			
Investment properties held for sale	2	-	8,000
Inventory	3(a)	51,894	8,474
Property loans	4(a)	1,076	72,597
Cash and cash equivalents		72,237	56,267
Trade and other receivables		15,565	18,436
Derivatives at fair value		484	1,667
Other financial assets	4(b)	22,488	-
Other		3,820	3,263
TOTAL CURRENT ASSETS		167,564	168,704
NON-CURRENT ASSETS			
Investment properties	2	1,689,873	1,563,523
Inventory	3(b)	77,785	96,479
Property loans	4(c)	320,789	274,070
Equity accounted investments	5(b)	154,045	167,248
Deferred tax assets		6,079	6,954
Property, plant and equipment	10	85,071	84,734
Derivatives at fair value		67	-
Other financial assets	4(d)	13,432	42,543
Intangible assets and goodwill		32,394	32,394
TOTAL NON-CURRENT ASSETS		2,379,535	2,267,945
TOTAL ASSETS		2,547,099	2,436,649
CURRENT LIABILITIES			
Trade and other payables		25,161	27,865
Interest-bearing loans and borrowings	6(a)	38,954	-
Derivatives at fair value		1,120	5,469
Income tax payable		6,963	740
Other		4,134	6,910
TOTAL CURRENT LIABILITIES		76,332	40,984
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	6(b)	565,090	549,184
Derivatives at fair value		13,440	16,814
Deferred tax liabilities		10,575	10,358
Other		4,543	4,709
TOTAL NON-CURRENT LIABILITIES		593,648	581,065
TOTAL LIABILITIES		669,980	622,049
NET ASSETS		1,877,119	1,814,600
TOTAL EQUITY		1,877,119	1,814,600

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2017

	Notes	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Equity attributable to members of AGHL:			
Contributed equity		347,067	344,284
Reserves		16,460	18,373
Retained earnings		87,645	72,899
Total equity attributable to members of AGHL:		451,172	435,556
Equity attributable to unitholders of AT:			
Contributed equity		939,119	935,977
Retained earnings / accumulated losses		14,753	(23,340)
Total equity attributable to unitholders of AT:		953,872	912,637
Equity attributable to members of AGPL:			
Contributed equity		27,277	27,150
Retained earnings		17,095	16,630
Total equity attributable to members of AGPL:		44,372	43,780
Equity attributable to unitholders of AIT:			
Contributed equity		130,923	130,556
Accumulated losses		(91,903)	(80,300)
Total equity attributable to unitholders of AIT:		39,020	50,256
Equity attributable to members of ASPT:			
Contributed equity		123,286	122,535
Reserves		(306)	2,148
Retained earnings / accumulated losses		1,494	(2,100)
Total equity attributable to members of ASPT:		124,474	122,583
Equity attributable to members of ASOL:			
Contributed equity		20,849	20,654
Reserves		120	174
Retained earnings		201,833	180,459
Total equity attributable to members of ASOL:		222,802	201,287
Equity attributable to external non-controlling interest:			
Contributed equity		61,042	68,809
Reserves		8,240	7,847
Accumulated losses		(27,875)	(28,134)
Total equity attributable to external non-controlling interest:		41,407	48,522
TOTAL EQUITY		1,877,119	1,814,621
Contributed equity	8	1,588,521	1,581,156
Reserves		16,274	20,695
Retained earnings		230,917	164,248
Total stapled security holders' interest in equity		1,835,712	1,766,099
Total external non-controlling interest		41,407	48,522
TOTAL EQUITY		1,877,119	1,814,621

CONSOLIDATED STATEMENT OF CASH FLOW

HALF-YEAR ENDED 31 DECEMBER 2017

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income receipts	177,066	148,551
Interest received	389	637
Distributions received	291	209
Income tax paid	(3,002)	(3,644)
Finance costs paid	(14,433)	(16,830)
Operating payments	(58,628)	(59,463)
Payments for land acquisitions	(30,656)	(11,311)
NET CASH FLOWS FROM OPERATING ACTIVITIES	71,027	58,149
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investments and funds advanced	(48,922)	(36,612)
Proceeds from sale and settlement of investments and funds repaid	79,222	68,171
Purchase of property, plant and equipment	(982)	(708)
Disposal of property, plant and equipment	-	72,755
Purchase of investment properties	(90,760)	(129,594)
Disposal of investment properties	675	133,370
Payment for other investments	(1,056)	(924)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	(61,823)	106,458
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units	-	17,550
Return of capital	(42)	(3,542)
Payment of issue costs	(596)	(556)
Repayment of borrowings	(4,378)	(150,040)
Proceeds from borrowings	57,294	5,521
Distributions paid	(45,415)	(19,988)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	6,863	(151,055)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,067	13,552
Net foreign exchange differences	(97)	(2)
Cash and cash equivalents at beginning of period	56,267	43,792
CASH AND CASH EQUIVALENTS AT END OF PERIOD	72,237	57,342

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

HALF-YEAR ENDED 31 DECEMBER 2017

	Attributable to the stapled security holder					External	
	Issued capital	Asset revaluation reserve	Foreign currency translation reserve	Employee equity benefits	Retained earnings	Non-controlling interest	Total Equity
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2017	1,581,156	11,880	2,322	6,493	164,248	48,522	1,814,621
Other comprehensive income	-	592	(2,508)	-	-	393	(1,523)
Net income for the period	-	-	-	-	117,507	897	118,404
Total comprehensive income for the period	-	592	(2,508)	-	117,507	1,290	116,881
Return of capital	-	-	-	-	-	(7,670)	(7,670)
Issue costs	1,682	-	-	-	-	-	1,682
Distribution reinvestment plan	5,683	-	-	-	-	-	5,683
Security acquisition rights	-	-	-	(2,505)	-	-	(2,505)
Acquisition of units in subsidiary	-	-	-	-	(476)	-	(476)
Distribution to security holders	-	-	-	-	(50,362)	(735)	(51,097)
At 31 December 2017	1,588,521	12,472	(186)	3,988	230,917	41,407	1,877,119

	Attributable to the stapled security holder					External	
	Issued capital	Asset revaluation reserve	Foreign currency translation reserve	Employee equity benefits	Retained earnings	Non-controlling interest	Total Equity
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2016	1,523,878	5,521	2,364	7,273	(23,054)	43,295	1,559,277
Other comprehensive income	-	(1,034)	452	-	-	(682)	(1,264)
Net income for the period	-	-	-	-	191,716	6,512	198,228
Total comprehensive income for the period	-	(1,034)	452	-	191,716	5,830	196,964
Equity raisings	17,347	-	-	-	-	202	17,549
Return of capital	-	-	-	-	-	(3,542)	(3,542)
Issue costs	(352)	-	-	-	-	-	(352)
Distribution reinvestment plan	31,077	-	-	-	-	-	31,077
Security acquisition rights	-	-	-	(2,084)	-	-	(2,084)
Distribution to security holders	-	-	-	-	(47,309)	(1,227)	(48,536)
At 31 December 2016	1,571,950	4,487	2,816	5,189	121,353	44,558	1,750,353

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NOTES TO THE FINANCIAL STATEMENTS – About this Report

31 DECEMBER 2017

Abacus Property Group (“APG” or the “Group”) is comprised of Abacus Group Holdings Limited (“AGHL”) (the nominated parent entity), Abacus Trust (“AT”), Abacus Group Projects Limited (“AGPL”), Abacus Income Trust (“AIT”), Abacus Storage Property Trust (“ASPT”) and Abacus Storage Operations Limited (“ASOL”). Shares in AGHL, AGPL and ASOL and units in AT, AIT and ASPT have been stapled together so that neither can be dealt with without the other. The securities trade as one security on the Australian Securities Exchange (the “ASX”) under the code ABP.

The financial report of the Group for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 16 February 2018.

The nature of the operations and principal activities of the Group are described in the Directors’ Report.

The Group predominately operates in Australia. Following are the Group’s operating segments, which are regularly reviewed by the Chief Operating Decision Maker (“CODM”) to make decisions about resources allocation and to assess performance:

- (a) Property Investments: the segment is responsible for the investment in and ownership of commercial, retail, industrial properties and self-storage facilities. This segment also includes the equity accounting of co-investments in property entities not engaged in development and construction projects; and
- (b) Property Development: provides secured lending and related property financing solutions and is also responsible for the Group’s investment in joint venture developments and construction projects, which includes revenue from debt and equity investments in joint ventures.

Segment result includes transactions between operating segments which are then eliminated.

The Group has consolidated the Abacus Hospitality Fund and Abacus Wodonga Land Fund. The performances of these entities which are operated as externally managed investment schemes are considered to be non-core segments and are reviewed separately to that of the performance of the Group’s business segments.

* The operating segments reported by the Group have changed from the prior period. Accordingly, prior period comparatives have been restated to reflect the change.

NOTES TO THE FINANCIAL STATEMENTS – Segment Information

31 DECEMBER 2017

	Core Segments			Non Core Segments		Consolidated
	Property Investments Commercial	Storage	Property Developments	Total Core Segments	Other	Eliminations
Half-year ended 31 December 2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Rental income	37,229	36,926	-	74,155	38	-
Hotel income	-	-	-	-	14,224	-
Finance income	-	-	24,947	24,947	4	-
Fee income	4,319	-	-	4,319	-	(1,838)
Sale of inventory	-	-	-	-	8,374	-
Net change in fair value of investments and financial instruments derecognised	824	-	-	824	-	-
Net change in investment properties and property, plant and equipment held at balance date	13,397	20,597	-	33,994	-	-
Share of profit from equity accounted investments ^	34,206	-	6,698	40,904	-	-
Other income	2,099	-	46	2,145	-	-
Other unallocated revenue	-	-	-	1,706	333	-
Total consolidated revenue	92,074	57,523	31,691	182,994	22,973	(1,838)
Property expenses and outgoings	(9,281)	(13,516)	-	(22,797)	(94)	-
Hotel expenses	-	-	-	-	(10,376)	-
Depreciation and amortisation expense	(935)	(206)	-	(1,141)	(1,293)	-
Cost of inventory sales	(5)	-	-	(5)	(7,088)	1,233
Net change in fair value of investment properties derecognised	(28)	-	-	(28)	-	-
Net change in fair value of investments held at balance date	283	-	(5,263)	(4,980)	-	-
Administrative and other expenses	(8,346)	-	(3,577)	(11,923)	(791)	(913)
Segment result	73,762	43,801	22,851	142,120	3,331	(1,518)
Finance costs				(14,814)	(1,451)	1,058
Profit before tax				127,306	1,880	(460)
Income tax expense				(10,322)	-	-
Net profit for the period				116,984	1,880	(460)
less non-controlling interest				12	(909)	-
Net profit for the period attributable to members of the Group				116,996	971	(460)

^ includes fair value gain of \$7.6 million

NOTES TO THE FINANCIAL STATEMENTS – Segment Information (continued)

31 DECEMBER 2017

	Core Segments			Non Core Segments		Consolidated
	Property Investments Commercial	Storage	Property Developments	Total Core Segments	Other	Eliminations
Half-year ended 31 December 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Rental income	35,718	34,382	-	70,100	6,249	-
Hotel income	-	-	-	-	19,968	-
Finance income	-	-	18,771	18,771	-	-
Fee income	6,696	-	-	6,696	-	(3,725)
Sale of inventory	-	-	-	-	10,146	-
Net change in fair value of investments and financial instruments derecognised	4,710	-	-	4,710	247	-
Net gain on sale of property, plant and equipment	-	-	-	-	11,817	-
Net change in investment properties and property, plant and equipment held at balance date	48,595	12,371	-	60,966	19,333	-
Share of profit from equity accounted investments ^	23,754	-	6,963	30,717	-	(212)
Other income	2,579	-	978	3,557	825	-
Other unallocated revenue	-	-	-	3,287	395	-
Total consolidated revenue	122,052	46,753	26,712	198,804	68,980	(3,937)
Property expenses and outgoings	(6,498)	(12,586)	-	(19,084)	(1,670)	205
Hotel expenses	-	-	-	-	(14,464)	-
Depreciation and amortisation expense	(921)	(195)	-	(1,116)	(149)	-
Cost of inventory sales	-	-	-	-	(10,146)	2,000
Net change in fair value of investment properties derecognised	10,875	-	-	10,875	1,738	-
Net change in fair value of investments held at balance date	(794)	(461)	16,574	15,319	(17)	265
Administrative and other expenses	(8,951)	-	(2,238)	(11,189)	(844)	(1,842)
Segment result	115,763	33,511	41,048	193,609	43,428	(3,309)
Finance costs				(16,908)	(4,763)	2,527
Profit before tax				176,701	38,665	(782)
Income tax expense				(14,367)	(1,989)	-
Net profit for the period				162,334	36,676	(782)
less non-controlling interest				(919)	(5,593)	-
Net profit for the period attributable to members of the Group				161,415	31,083	(782)

^ includes fair value gain of \$15.9 million

NOTES TO THE FINANCIAL STATEMENTS – Segment Information (continued)

31 DECEMBER 2017

	Core Segments				Non Core Segments		
	Property Investment \$'000	Property Development \$'000	Unallocated \$'000	Total \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
As at 31 December 2017							
Current assets	22,288	44,823	60,235	127,346	40,218	-	167,564
Non-current assets	1,908,969	398,986	39,438	2,347,393	81,219	(49,077)	2,379,535
Total assets	1,931,257	443,809	99,673	2,474,739	121,437	(49,077)	2,547,099
Current liabilities	14,701	7,138	47,543	69,382	6,950	-	76,332
Non-current liabilities	1,194	511	546,221	547,926	105,733	(60,011)	593,648
Total liabilities	15,895	7,649	593,764	617,308	112,683	(60,011)	669,980
Net assets	1,915,362	436,160	(494,091)	1,857,431	8,754	10,934	1,877,119
Total facilities - bank loans				973,000	-		973,000
Facilities used at reporting date - bank loans				(567,723)	-		(567,723)
Facilities unused at reporting date - bank loans				405,277	-		405,277
As at 30 June 2017							
Current assets	8,000	72,596	49,925	130,521	38,204	-	168,725
Non-current assets	1,823,107	375,686	39,825	2,238,618	87,757	(58,430)	2,267,945
Total assets	1,831,107	448,282	89,750	2,369,139	125,961	(58,430)	2,436,670
Current liabilities	19,354	8,486	6,494	34,334	6,650	-	40,984
Non-current liabilities	1,423	481	552,074	553,978	91,123	(64,036)	581,065
Total liabilities	20,777	8,967	558,568	588,312	97,773	(64,036)	622,049
Net assets	1,810,330	439,315	(468,818)	1,780,827	28,188	5,606	1,814,621
Total facilities - bank loans				873,000	-		873,000
Facilities used at reporting date - bank loans				(513,691)	-		(513,691)
Facilities unused at reporting date - bank loans				359,309	-		359,309

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

1. EARNINGS PER STAPLED SECURITY

	31 Dec 2017	31 Dec 2016
Basic and diluted earnings per stapled security (cents)	20.37	33.76
Reconciliation of earnings used in calculating earnings per stapled security		
<i>Basic and diluted earnings per stapled security</i>		
Net profit (\$'000)	117,507	191,716
Weighted average number of shares:		
Weighted average number of stapled securities for basic earning per security ('000)	576,862	567,932

2. INVESTMENT PROPERTIES

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Leasehold investment properties ¹	13,238	13,592
Freehold investment properties	1,676,635	1,557,931
Total investment properties	1,689,873	1,571,523

1. The carrying amount of the leasehold property is presented gross of the finance liability of \$2.7 million (30 June 2017: \$2.3 million).

Reconciliation

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Investment properties held for sale		
Office	-	8,000
Total investment properties held for sale	-	8,000
Investment properties		
Retail	392,500	377,500
Office	556,856	487,200
Industrial	70,660	55,100
Storage	652,027	625,232
Other	17,830	18,491
Total investment properties	1,689,873	1,563,523
Total investment properties including held for sale	1,689,873	1,571,523

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. INVESTMENT PROPERTIES (continued)

A reconciliation of the carrying amount of investment properties at the beginning and end of the period is as follows. All investment properties are classified as Level 3 in accordance with the fair value hierarchy outlined in Note 7:

	Non-current	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Leasehold investment properties		
Carrying amount at beginning of the financial period	13,592	11,092
Net change in fair value as at balance date	(354)	2,500
Carrying amount at end of the period	13,238	13,592

	Held for sale		Non-current	
	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017
	\$'000	\$'000	\$'000	\$'000
Freehold investment properties				
Carrying amount at beginning of the financial period	8,000	186,550	1,549,931	1,323,977
Additions and capital expenditure	-	890	90,079	141,896
Net change in fair value as at balance date	-	224	34,344	82,223
Net change in fair value derecognised	-	41,929	-	3,337
Disposals	-	(206,672)	-	(5,603)
Effect of movements in foreign exchange	-	-	-	(164)
Transfer to inventory	-	-	(5,719)	(10,656)
Properties transferred to / from held for sale	(8,000)	(14,921)	8,000	14,921
Carrying amount at end of the period	-	8,000	1,676,635	1,549,931

Investment properties are carried at the Directors' determination of fair value. The determination of fair value includes reference to the original acquisition cost together with capital expenditure since acquisition and either the latest full independent valuation, latest independent update or directors' valuation. Total acquisition costs include incidental costs of acquisition such as property taxes on acquisition, legal and professional fees and other acquisition related costs.

Sensitivity Information

Significant input	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Adopted capitalisation rate	Decrease	Increase
Optimal occupancy	Increase	Decrease
Adopted discount rate	Decrease	Increase

The adopted capitalisation rate forms part of the income capitalisation approach.

When calculating the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the net market rent and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

The adopted discount rate of a discounted cash flow has a strong interrelationship in deriving a fair value given the discount rate will determine the rate in which the terminal value is discounted to the present value.

External valuations are conducted by qualified independent valuers who are appointed by the Director of Property who is also responsible for the Group's internal valuation process. He is assisted by an in-house certified professional valuer who is experienced in valuing the types of properties in the applicable locations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. INVESTMENT PROPERTIES (continued)

Investment properties are independently valued on a staggered basis every two years unless the underlying financing requires a different valuation cycle.

The majority of the investment properties are used as security for secured bank debt outlined in Note 6.

Abacus

The weighted average capitalisation rate for Abacus is 6.95% (30 June 2017: 7.13%) and for each significant category above is as follows;

- Retail – 6.09% (30 June 2017: 6.22%)
- Office – 6.69% (30 June 2017: 6.99%)
- Industrial – 7.87% (30 June 2017: 8.42%)
- Storage – 7.60% (30 June 2017: 7.72%)

The current occupancy rate for the principal portfolio excluding development and self-storage assets is 90.4% (30 June 2017: 90.5%). The current occupancy rate for self-storage assets is 88.3% (30 June 2017: 89.2%).

During the half-year ended 31 December 2017, 22% (30 June 2017: 44%) of the number of investment properties in the portfolio were subject to external valuations, the remaining 78% (30 June 2017: 56%) were subject to internal valuation.

3. INVENTORY

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
(a) Current		
Hotel supplies	196	214
Projects ¹		
- purchase consideration	6,458	876
- development costs	45,240	7,384
	51,894	8,474
(b) Non-current		
Projects ¹		
- purchase consideration	117,812	117,418
- development costs	3,595	22,683
- provision	(43,622)	(43,622)
	77,785	96,479
Total inventory	129,679	104,953

1. Inventories are held at the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. PROPERTY LOANS AND OTHER FINANCIAL ASSETS

	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
(a) Current property loans		
Secured loans - amortised cost ¹	1,002	65,034
Interest receivable on secured loans - amortised cost	74	7,563
	1,076	72,597
(b) Current other financial assets		
Investments in debt instruments - unlisted - amortised cost ²	22,488	-
	22,488	-
(c) Non-current property loans		
Secured loans - amortised cost ¹	256,400	219,379
Interest receivable on secured loans - amortised cost	64,389	54,691
	320,789	274,070
(d) Non-current other financial assets		
Investment in securities and options - unlisted - fair value	5,311	6,792
Investments in debt instruments - unlisted - amortised cost ²	-	22,488
Derivatives - projects - fair value	8,121	13,263
	13,432	42,543

1. Mortgages are secured by real property assets. The current facilities are scheduled to mature and are expected to be realised on or before 31 December 2018 and the non-current facilities will mature between 1 January 2019 and 27 January 2021.
2. Abacus has a 50% investment in a joint venture St Leonards JV Unit Trust held via preference shares which are expected to be realised on or before 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Extract from joint ventures' profit and loss statements

	Fordtrans Pty Ltd		St Leonards JV Unit Trust		Other Joint Ventures		Total	
	31 Dec 2017	30 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	30 Dec 2016	31 Dec 2017	30 Dec 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	4,683	4,943	104,280	4,084	231,613	99,270	340,576	108,297
Expenses	(2,873)	(11,289)	(79,887)	(3,303)	(182,991)	(18,148)	(265,751)	(32,740)
Net profit / (loss)	1,810	(6,346)	24,393	781	48,622	81,122	74,825	75,557
Share of net profit / (loss)	924	(3,173)	18,506	670	21,474	33,008	40,904	30,505

(b) Extract from joint ventures' balance sheets

	Fordtrans Pty Ltd		St Leonards JV Unit Trust		Other Joint Ventures		Total	
	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	15,316	15,436	7,299	3,907	338,238	97,494	360,853	116,837
Non-current assets	184,362	183,031	81,735	132,500	241,872	534,221	507,969	849,752
	199,678	198,467	89,034	136,407	580,110	631,715	868,822	966,589
Current liabilities	(3,698)	(3,265)	(4,199)	(697)	(258,949)	(82,470)	(266,846)	(86,432)
Non-current liabilities	(64,800)	(64,800)	(44,977)	(108,243)	(128,456)	(298,569)	(238,233)	(471,612)
Net assets	131,180	130,402	39,858	27,467	192,705	250,676	363,743	408,545
Share of net assets	65,590	65,201	23,142	13,733	65,313	88,314	154,045	167,248

There were no impairment losses or contingent liabilities relating to the investment in the joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INTEREST BEARING LOANS AND BORROWINGS

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Other		
Current		
Bank loans - A\$	39,000	-
Less: Unamortised borrowing costs	(46)	-
(a) Total current	38,954	-

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Abacus*		
Non-current		
Bank loans - A\$	458,952	440,658
Bank loans - A\$ value of NZ\$ denominated loan	69,771	73,033
Other loans - A\$	38,094	37,426
Less: Unamortised borrowing costs	(1,727)	(1,932)
(b) Total non-current	565,090	549,185

* Excludes Abacus Hospitality Fund, Abacus Wodonga Land Fund

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
(c) Maturity profile of current and non-current interest bearing loans		
Due within one year	38,954	-
Due between one and five years	565,090	419,185
Due after five years	-	130,000
	604,044	549,185

Abacus*

Abacus 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 are \$A and \$NZ denominated and are provided by several banks at interest rates which are set periodically on a floating basis. The loans term to maturity varies from July 2018 to July 2022. The bank loans are secured by charges over the investment properties, certain inventory and certain property, plant and equipment.

Approximately 54.5% (30 June 2017: 48.6%) of bank debt drawn was subject to fixed rate hedges. The drawn bank debt had a weighted average term to maturity of 2.9 years (30 June 2017: 3.4 years). Hedge cover as a percentage of available facilities at 31 December 2017 is 31.8% (30 June 2017: 28.6%).

Abacus' weighted average interest rate as at 31 December 2017 was 4.79% (30 June 2017: 5.23%). Line fees on undrawn facilities contributed to 0.56% of the weighted average interest rate at 31 December 2017 (30 June 2017: 0.36%). Abacus' weighted average interest rate excluding the undrawn facilities line fees as at 31 December 2017 was 4.23% (30 June 2017: 4.87%).

* Excludes Abacus Hospitality Fund, Abacus Wodonga Land Fund

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INTEREST BEARING LOANS AND BORROWINGS (continued)**(d) Assets pledged as security**

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Current		
<i>First mortgage</i>		
Investment properties held for sale	-	8,000
Total current assets pledged as security	-	8,000
Non-current		
<i>First mortgage</i>		
Inventory	56,120	36,231
Investment properties	1,650,443	1,524,431
Total non-current assets pledged as security	1,706,563	1,560,662
Total assets pledged as security	1,706,563	1,568,662

(e) Defaults and breaches

During the current and prior years, there were no defaults or breaches of any of the Group's loans.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

7. FINANCIAL INSTRUMENTS

Fair values

The fair value of the Group's financial assets and liabilities are approximately equal to that of their carrying values.

Details of the Group's fair value measurement, valuation technique and inputs are detailed below.

Class of assets / liabilities	Fair value hierarchy	Valuation technique	Inputs used to measure fair value
Investment properties	Level 3	Discounted Cash Flow ("DCF") and Income capitalisation method	Adopted capitalisation rate Optimal occupancy Adopted discount rate
Property, plant and equipment	Level 3	Income capitalisation method	Net market EBITDA Optimal occupancy Adopted capitalisation rate
Derivative - project entitlement	Level 3	Residual cash flow analysis	Project cash flow forecast Project payment priorities
Securities and options - unlisted	Level 3	Pricing models	Security price Underlying net asset Property valuations
Derivative - financial instruments	Level 2	DCF (adjusted for counterparty credit worthiness)	Interest rates Consumer Price Index ("CPI") Volatility

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.

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

Income capitalisation method	This method involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value, with allowances for capital expenditure reversions.
Discounted cash flow method	Under the DCF method, the fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the assets' or liabilities' life including an exit or terminal value. The DCF method involves the projection of a series of cash flows from the assets or liabilities. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the cash flow stream associated with the assets or liabilities.
Residual cash flow analysis	The analysis takes into account the time value of money in a more detailed way than simply a developer's profit margin as it considers the timing of all costs and income associated with the project.
Pricing models – unlisted securities	The fair value is determined by reference to the net assets which approximates fair value of the underlying entities.
Pricing models – options	The fair value is determined using generally accepted pricing models including Black-Scholes and adjusted for specific features of the options including share price, underlying net assets and property valuations and prevailing exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

7. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

The following table is a reconciliation of the movements in derivatives (projects), unlisted securities and options classified as Level 3 for the period ended 31 December 2017.

	Derivatives - projects	Unlisted securities/ options	Total
	\$'000	\$'000	\$'000
Opening balance as at 30 June 2017	13,263	6,792	20,055
Fair value movement through the income statement	(5,142)	(122)	(5,264)
Disposals	-	(1,359)	(1,359)
Closing balance as at 31 December 2017	8,121	5,311	13,432

	Derivatives - projects	Unlisted securities/ options	Total
	\$'000	\$'000	\$'000
Opening balance as at 30 June 2016	4,007	22,774	26,781
Fair value movement through the income statement	18,704	(1,865)	16,839
Additions	-	7,500	7,500
Closing balance as at 31 December 2016	22,711	28,409	51,120

Sensitivity of Level 3

The potential effect of using reasonable possible alternative assumptions based on a change in the property valuations by 5% would have the effect of reducing the fair value by up to \$0.6 million (30 June 2017: \$0.8 million) or increase the fair value by \$0.6 million (30 June 2017: \$0.8 million).

8. CONTRIBUTED EQUITY

	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
(a) Issued stapled securities		
Stapled securities	1,628,580	1,622,897
Issue costs	(40,059)	(41,741)
Total contributed equity	1,588,521	1,581,156

	Stapled securities	
	Number	Value
	'000	\$'000
(b) Movement in stapled securities on issue		
At 30 June 2017	575,570	1,581,156
- distribution reinvestment plan	1,932	5,683
- issue costs	-	1,682
Securities on issue at 31 December 2017	577,502	1,588,521

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

9. DISTRIBUTIONS PAID AND PROPOSED

	31 Dec 2017	31 Dec 2016
Abacus	\$'000	\$'000
(a) Distributions paid during the period		
June 2017 half: 8.75 cents per stapled security (2016: 8.50 cents)	50,362	47,309
(b) Distributions proposed and not recognised as a liability[^]		
December 2017 half: 9.00 cents per stapled security (2016: 8.75 cents)	51,975	50,078

Distributions were paid from Abacus Trust, Abacus Income Trust and Abacus Storage Property Trust (which do not pay tax provided they distribute all their taxable income) hence, there were no franking credits attached.

[^] The interim distribution of 9.00 cents per stapled security was declared on 12 January 2018. The distribution being paid on or around 28 February 2018 will be approximately \$52.0 million. No provision for the distribution has been recognised in the balance sheet at 31 December 2017 as the distribution had not been declared by the end of the period.

	31 Dec 2017	31 Dec 2016
Non-core funds	\$'000	\$'000
(a) Distributions paid during the period		
Abacus Hospitality Fund	735	613
Abacus Diversified Income Fund II	-	1,267
	735	1,880
(b) Distributions proposed		
Abacus Hospitality Fund	368	368
Abacus Diversified Income Fund II	-	1,265
	368	1,633

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

10. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Non-current		
Hotel property	80,000	80,000
Storage equipment	4,135	4,226
Office equipment / furniture and fittings	936	508
Total non-current property, plant and equipment	85,071	84,734

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Land and buildings		
At the beginning of the period net of accumulated depreciation	71,828	121,411
Additions	27	99
Fair value movement through comprehensive income	985	12,282
Disposal	-	(61,964)
Depreciation charge for the period	(484)	-
At the end of the period net of accumulated depreciation	72,356	71,828
Gross value	82,152	81,139
Accumulated depreciation	(9,796)	(9,311)
Net carrying amount at end of the period	72,356	71,828
Plant and equipment		
Gross value	32,448	31,546
Accumulated depreciation	(19,733)	(18,640)
Net carrying amount at end of the period	12,715	12,906
Total	85,071	84,734

If property, plant and equipment was carried under the cost model, the carrying amount would be \$47.3 million (30 June 2017: \$48.3 million).

Hotel Properties

- The weighted average capitalisation rate is 7.00% (30 June 2017: 7.00%)
- The current weighted average occupancy rate is 70% (30 June 2017: 79%)

Storage Properties

- The weighted average capitalisation rate is 7.60% (30 June 2017: 7.72%)
- The current weighted average occupancy rate is 88% (30 June 2017: 89%)

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER 2017****11. COMMITMENTS AND CONTINGENCIES**

There are no contingent assets or liabilities at 31 December 2017 other than as disclosed in this report.

12. 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 Property Group for the year ended 30 June 2017. It is also recommended that the half-year financial report be considered together with any public announcements made by the Abacus Property Group during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Trust's annual consolidated financial statements for the year ended 30 June 2017.

13. 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 period that has significantly affected, or may affect, the Group's operations in future financial years, the results of those operations or the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Abacus Group Holdings Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated 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 2017 and the performance for the half-year ended on that date for the consolidated 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 consolidated 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, 16 February 2018



Frank Wolf
Managing Director

Independent Auditor's Review Report to the Members of Abacus Group Holdings Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Abacus Group Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated 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 the Company 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.

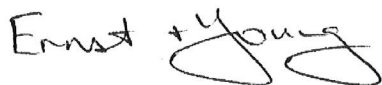
Auditor's Responsibility

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 Group's consolidated financial position as at 31 December 2017 and its consolidated 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 Group, 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
16 February 2018