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 2014

Results for announcement to the market
(corresponding period half year ended 31 December 2013)

Total revenues and other income	down	13%	to	$183.6m
Net profit after income tax expense attributable to members of the Group	up	31%	to	$62.2m
Underlying profit [1]	up	50%	to	$69.1m

(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 December 2014 $'000	31 December 2013 $'000
Consolidated statutory net profit after tax attributable to members of the Group	**62,228**	**47,345**
add back: consolidated losses relating to managed funds (these losses are excluded as the profits/losses of the managed funds cannot and do not form part of the assessable and distributable income of Abacus)	12,536	299
Net profit attributable to ABP securityholders	**74,764**	**47,644**
Certain significant items:		
Net (gain) / loss in fair value of investment properties held at balance date	(14,668)	(3,480)
Net change in property, plant and equipment remeasured at fair value	(40)	1,165
Net change in fair value of investments and financial instruments held at balance date	52	(543)
Net loss in fair value of derivatives	11,882	1,540
Net change in fair value of investment properties included in equity accounted investments	(2,915)	(369)
Underlying profit attributable to ABP securityholders	**69,075**	**45,957**

Basic earnings per security (cents)	12.10	10.13
Basic underlying earnings per security (cents)	13.43	9.83
Distribution per security (cents - including proposed distribution)	8.50	8.25
Weighted average securities on issue (million)	514.3	467.4

Distributions	per stapled security
December 2014 half	8.50 cents
This distribution was declared on 12 January 2015 and will be paid on or about 27 February 2015	
Record date for determining entitlement to the distributions	19 January 2015

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 2014.

Details of individual and total distribution payments to securityholders		per stapled security	Total
Final June 2014 distribution	paid 15 August 2014	8.50 cents	$43.7 m

The distributions were paid in full by Abacus Trust and Abacus Income Trust which do not pay tax, hence there were no franking credits attached.

	31 December 2014	30 June 2014
Net tangible assets per security (2)	$2.42	$2.38

(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 December 2014	31 December 2013	31 December 2014	31 December 2013
	%	%	$'000	$'000
Australian Aggregation Head Trust	25	25	7,387	650
Fordtrans Pty Ltd (Virginia Park)	50	50	1,359	2,099
Jack Road Investments Pty Ltd	50	50	6,057	(272)
Pakenham Valley Unit Trust	50	50	131	1,207
Other	25 - 50	25 - 50	667	136
			15,601	**3,820**

The equity accounted profits/losses includes a fair value increment of $2.9 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 2014

HALF-YEAR FINANCIAL REPORT

31 December 2014

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

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

Directors of Responsible Entities and Abacus Group Holdings Limited:
John Thame, Chairman
Frank Wolf, Managing Director
William Bartlett
Malcolm Irving
Myra Salkinder

Company Secretary:
Ellis Varejes

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

Share Registry:
Boardroom Pty Ltd
Level 7, 207 Kent St
SYDNEY NSW 2000
Tel: 1300 737 760
Fax: 1300 653 459

CONTENTS

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 2014 and Abacus Property Group's 30 June 2014 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 2014

The Directors present their report for the period ended 31 December 2014.

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
Myra Salkinder	Non-executive Director

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 $1.5 billion at 31 December 2014.

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, Abacus Diversified Income Fund II 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, and certain guarantees.

AGHL has been identified as the parent entity of the Group. The financial reports of the Group for the half-year ended 31 December 2014 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, Abacus Diversified Income Fund II ("ADIFII") 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 2014 included:

- investment in office, retail and industrial properties to derive rental and fee income;
- investment in self-storage facilities to derive storage fee income;
- participation in property ventures and developments to derive interest income and capital profits; and
- property funds management to derive fee income and equity returns.

These activities are reported through our four core reportable segments of Property, Storage, Property Ventures and Funds Management, respectively.

DIRECTORS' REPORT
31 December 2014

Abacus is also a member of 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. Abacus is a dedicated core plus investor in the XPJ index and offers some differentiation to the market providing a more active management model to the other members of the XPJ index which are focused on rent collection or funds management.

GROUP RESULTS SUMMARY

The Group earned a statutory net profit excluding external non-controlling interests of $62.2 million for the half-year ended 31 December 2014 (December 2013: $47.3 million). This profit has been calculated in accordance with Australian Accounting Standards. It includes certain significant items that need adjustment to enable securityholders to obtain an understanding of Abacus' underlying profit of $69.1 million (December 2013: $46.0 million).

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 Abacus, in accordance with the AICD / Finsia principles for reporting underlying profit. The consolidated profits / (losses) which belong to the securityholders of Abacus Hospitality Fund, Abacus Diversified Income Fund II 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 items such as unrealised fair value gains / losses on investment properties, unrealised provision gains / losses, 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 adjustments in the determination of underlying profit including transactions that occur infrequently and those that are outside the scope of Abacus' core ongoing business activities. 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 2014 $'000	31 Dec 2013 $'000
Consolidated statutory net profit after tax attributable to members of the Group	**62,228**	**47,345**
add back: Consolidated losses relating to the managed funds (these losses are excluded as the profits/losses of the managed funds cannot and do not form part of the assessable and distributable income of Abacus)	12,536	299
Net profit attributable to Abacus securityholders	**74,764**	**47,644**
Certain significant items:		
Net change in fair value of investment properties held at balance date	(14,668)	(3,480)
Net change in property, plant and equipment remeasured at fair value	(40)	1,165
Net change in fair value of investments and financial instruments held at balance date	52	(543)
Net loss in fair value of derivatives	11,882	1,540
Net change in fair value of investment properties included in equity accounted investments	(2,915)	(369)
Underlying profit attributable to Abacus securityholders	**69,075**	**45,957**

	31 Dec 2014	31 Dec 2013
Basic earnings per security (cents)	12.10	10.13
Basic underlying earnings per security^ (cents)	13.43	9.83
Distribution per security^ (cents - including proposed distribution)	8.50	8.25
Weighted average securities on issue (million)	514.3	467.4

^Abacus

The increase in the Group's statutory and underlying performance reflects the gain on the disposal of investment properties and includes a $7.5 million impairment of inventory in the Abacus Wodonga Land Fund which reflects a revision of future assumptions on revenues and development costs of the project based on current and anticipated market conditions and the impact of the revised development plan and planning permit approved by the City of Wodonga in October 2014.

DIRECTORS' REPORT

31 December 2014

GROUP RESULTS SUMMARY (continued)

As at 31 December 2014, the Group had an interest in the following properties:

	$'000	No. of properties
Abacus (listed entities)* including 52 self storage properties	1,308,208	94
Abacus Hospitality Fund^	147,940	4
Abacus Diversified Income Fund II^	192,422	15

*Owned by Abacus securityholders
^Consolidated

CHANGES IN THE STATE OF AFFAIRS

The contributed equity of the Group increased from $1,403.8 million to $1,405.5 million due to the securityholder participation in the distribution reinvestment plan.

Total equity increased from $1,290.2 million to $1,309.6 million due to the performance of the Group.

DISTRIBUTIONS

An interim distribution of 8.50 cents per Abacus stapled security was declared on 12 January 2015 which will be paid on 27 February 2015. 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.

ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is set out on page 5.

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

John Thame
Chairman
Sydney, 18 February 2015

Frank Wolf
Managing Director

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com

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

In relation to our review of the financial report of Abacus Group Holdings Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Kathy Parsons
Partner
18 February 2015

CONSOLIDATED INCOME STATEMENT
HALF-YEAR ENDED 31 DECEMBER 2014

	Notes	31 Dec 2014 $'000	31 Dec 2013 $'000
REVENUE			
Rental income		45,360	53,267
Storage income		27,049	23,799
Hotel income		29,361	30,218
Finance income		12,937	9,149
Funds management income		2,198	1,411
Sale of inventory		15,458	75,831
Total Revenue		**132,363**	**193,675**
Net change in fair value of investment properties derecognised		22,388	8,824
Net change in fair value of investments and financial instruments derecognised		3,275	2,403
Net change in fair value of investment properties and property, plant & equipment held at balance date		9,612	3,132
Net change in fair value of investments held at balance date		376	278
Share of profit from equity accounted investments	10(b)	15,601	3,820
Total Revenue and Other Income		**183,615**	**212,132**
Property expenses and outgoings		(10,824)	(9,273)
Storage expenses		(10,359)	(8,840)
Hotel expenses		(21,886)	(20,705)
Depreciation, amortisation and impairment expense		(3,349)	(4,991)
Cost of inventory sales		(12,777)	(69,823)
Net change in fair value of derivatives		(12,892)	15
Impairment of Inventory	3	(9,620)	-
Finance costs	4	(21,234)	(27,577)
Administrative and other expenses		(17,022)	(12,096)
PROFIT BEFORE TAX		**63,652**	**58,842**
Income tax expense		(1,008)	(9,908)
NET PROFIT AFTER TAX		**62,644**	**48,934**
PROFIT ATTRIBUTABLE TO:			
Equity holders of the parent entity (AGHL)		(1,991)	8,070
Equity holders of other stapled entities			
AT members		43,235	23,345
AGPL members		2,598	6,582
AIT members		2,393	1,790
ASPT members		149	(5,863)
ASOL members		15,844	13,421
Stapled security holders		**62,228**	**47,345**
Net profit attributable to external non-controlling interests		416	1,589
NET PROFIT		**62,644**	**48,934**
Basic and diluted earnings per stapled security (cents)	5	12.10	10.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
HALF-YEAR ENDED 31 DECEMBER 2014

	31 Dec 14 $'000	31 Dec 13 $'000
NET PROFIT AFTER TAX	62,644	48,934
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to the income statement		
Revaluation of assets, net of tax	-	(64)
Items that may be reclassified subsequently to the income statement		
Foreign exchange translation adjustments, net of tax	1,034	3,313
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**63,678**	**52,183**
Total comprehensive income attributable to:		
Members of the APG Group	63,156	50,099
External non-controlling interests	522	2,084
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**63,678**	**52,183**
by amounts attributable to:		
AGHL members	(1,832)	8,817
AT members	43,235	23,345
AGPL members	2,598	6,582
AIT members	2,393	1,790
ASPT members	918	(3,913)
ASOL members	15,844	13,478
TOTAL COMPREHENSIVE INCOME AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE GROUP	**63,156**	**50,099**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	31 Dec 2014 $'000	30 Jun 2014 $'000
CURRENT ASSETS			
Cash and cash equivalents		54,969	61,653
Trade and other receivables		11,597	21,165
Property, plant and equipment held for sale	8	36,735	2,700
Investment properties held for sale	7	105,355	186,543
Inventory		31,708	14,182
Property loans	9(a)	24	4,939
Derivatives at fair value		828	247
Other		3,648	3,407
TOTAL CURRENT ASSETS		**244,864**	**294,836**
NON-CURRENT ASSETS			
Trade and other receivables		-	7,085
Investment properties	7	1,281,901	1,158,951
Inventory		106,313	85,020
Property loans	9(b)	211,088	184,415
Other financial assets	9(c)	30,686	30,473
Property, plant and equipment	8	118,851	154,383
Equity accounted investments	10	129,280	125,432
Deferred tax assets		6,337	5,480
Intangible assets and goodwill		33,261	33,261
TOTAL NON-CURRENT ASSETS		**1,917,717**	**1,784,500**
TOTAL ASSETS		**2,162,581**	**2,079,336**
CURRENT LIABILITIES			
Trade and other payables		32,999	21,527
Interest-bearing loans and borrowings	11(a)	277	16,667
Derivatives at fair value		503	-
Income tax payable		867	6,357
Other financial liabilities	15	25	1,136
Other		8,218	7,335
TOTAL CURRENT LIABILITIES		**42,889**	**53,022**
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	11(b)	692,128	620,247
Derivatives at fair value		59,877	57,602
Deferred tax liabilities		9,987	10,323
Other financial liabilities	15	45,959	45,983
Other		2,155	1,969
TOTAL NON-CURRENT LIABILITIES		**810,106**	**736,124**
TOTAL LIABILITIES		**852,995**	**789,146**
NET ASSETS		**1,309,586**	**1,290,190**
TOTAL EQUITY		**1,309,586**	**1,290,190**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2014

	Notes	31 Dec 2014 $'000	30 Jun 2014 $'000
Equity attributable to members of AGHL:			
Contributed equity		304,804	304,410
Reserves		7,942	8,433
Accumulated losses		(24,519)	(22,528)
Total equity attributable to members of AGHL:		**288,227**	**290,315**
Equity attributable to unitholders of AT:			
Contributed equity		841,160	840,236
Accumulated losses		(126,692)	(139,036)
Total equity attributable to unitholders of AT:		**714,468**	**701,200**
Equity attributable to members of AGPL:			
Contributed equity		23,464	23,431
Retained earnings / (Accumulated losses)		538	(2,060)
Total equity attributable to members of AGPL:		**24,002**	**21,371**
Equity attributable to unitholders of AIT:			
Contributed equity		116,722	116,575
Accumulated losses		(57,894)	(49,992)
Total equity attributable to unitholders of AIT:		**58,828**	**66,583**
Equity attributable to members of ASPT:			
Contributed equity		103,257	103,092
Reserves		1,963	1,209
Accumulated losses		(18,158)	(15,822)
Total equity attributable to members of ASPT:		**87,062**	**88,479**
Equity attributable to members of ASOL:			
Contributed equity		16,048	16,012
Reserves		179	164
Retained earnings		85,119	69,275
Total equity attributable to members of ASOL:		**101,346**	**85,451**
Equity attributable to external non-controlling interest:			
Contributed equity		64,958	73,668
Reserves		780	674
Accumulated losses		(30,085)	(37,551)
Total equity attributable to external non-controlling interest:		**35,653**	**36,791**
TOTAL EQUITY		**1,309,586**	**1,290,190**
Contributed equity	13	1,405,455	1,403,756
Reserves		10,084	9,806
Accumulated losses		(141,606)	(160,163)
Total stapled security holders' interest in equity		1,273,933	1,253,399
Total external non-controlling interest		35,653	36,791
TOTAL EQUITY		**1,309,586**	**1,290,190**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
HALF-YEAR ENDED 31 DECEMBER 2014

	Attributable to the stapled security holder					External	
CONSOLIDATED	**Issued capital $'000**	**Asset revaluation reserve $'000**	**Foreign currency translation $'000**	**Employee equity benefits $'000**	**Retained earnings $'000**	**Non-controlling interest $'000**	**Total Equity $'000**
At 1 July 2014	1,403,756	-	2,517	7,289	(160,163)	36,791	1,290,190
Other comprehensive income	-	-	928	-	-	106	1,034
Net income for the period	-	-	-	-	62,228	416	62,644
Total comprehensive income for the period	-	-	928	-	62,228	522	63,678
Return of equity	-	-	-	-	-	(585)	(585)
Distribution reinvestment plan	1,699	-	-	-	-	-	1,699
Security acquisition rights	-	-	-	(650)	-	-	(650)
Distribution to security holders	-	-	-	-	(43,671)	(1,075)	(44,746)
At 31 December 2014	**1,405,455**	**-**	**3,445**	**6,639**	**(141,606)**	**35,653**	**1,309,586**

	Attributable to the stapled security holder					External	
CONSOLIDATED	**Issued capital $'000**	**Asset revaluation reserve $'000**	**Foreign currency translation $'000**	**Employee equity benefits $'000**	**Retained earnings $'000**	**Non-controlling interest $'000**	**Total Equity $'000**
At 1 July 2013	1,268,381	39	(778)	6,616	(190,223)	43,785	1,127,820
Other comprehensive income	-	(39)	2,793	-	-	495	3,249
Net income for the period	-	-	-	-	47,345	1,589	48,934
Total comprehensive income for the period	-	(39)	2,793	-	47,345	2,084	52,183
Equity raisings	75,000	-	-	-	-	-	75,000
Issue costs	(807)	-	-	-	-	-	(807)
Distribution reinvestment plan	18,905	-	-	-	-	-	18,905
Security acquisition rights	-	-	-	(143)	-	-	(143)
Distribution to security holders	-	-	-	-	(37,875)	(1,036)	(38,911)
At 31 December 2013	**1,361,479**	**-**	**2,015**	**6,473**	**(180,753)**	**44,833**	**1,234,047**

CONSOLIDATED STATEMENT OF CASH FLOW
HALF-YEAR ENDED 31 DECEMBER 2014

	31 Dec 2014 $'000	31 Dec 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income receipts	152,557	164,357
Interest received	1,306	1,619
Distributions received	186	221
Income tax paid	(7,674)	(1,521)
Finance costs paid	(20,768)	(23,981)
Operating payments	(67,151)	(62,590)
Payments for land acquistion and development costs (inventory)	(23,239)	(47,089)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**35,217**	**31,016**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investments and funds advanced	(71,178)	(30,956)
Proceeds from sale and settlement of investments and funds repaid	38,513	4,225
Purchase of investment properties and capital improvements	(176,647)	(85,730)
Disposal of investment properties	178,129	81,870
Purchase of property, plant and equipment	(1,707)	(3,191)
Payment for other investments	(1,063)	(82)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(33,953)**	**(33,864)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of stapled securities	-	75,000
Return of capital	(585)	-
Payment of issue / finance costs	(282)	(982)
Repayment of borrowings	(73,665)	(80,419)
Proceeds from borrowings	111,983	25,840
Distributions paid	(45,443)	(21,990)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(7,992)**	**(2,551)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,728)	(5,399)
Net foreign exchange differences	44	383
Cash and cash equivalents at beginning of period	61,653	44,822
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**54,969**	**39,806**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

1. CORPORATE INFORMATION

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 for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 18 February 2014.

2. 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 2014. 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 2014 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of preparation

The half-year general purpose financial report has been prepared in accordance with the requirements of the Corporations Act 2001, AASB 134 "Interim Financial Reporting" and other mandatory professional requirements and is a for profit entity. Except as otherwise disclosed in notes 2(b), the same accounting policies have been applied as in the last Annual Financial Report.

The half-year financial report has been prepared on a historical cost basis, except for investment properties and derivative financial instruments which have been measured at fair value, interest in joint ventures and associates which are accounted for using the equity method, and certain investments and financial assets measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available under ASIC Class Order 98/100. The Group is an entity to which the Class Order applies.

(b) Changes in accounting policy and disclosures

The following amending Standards have been adopted from 1 July 2014. Adoption of these Standards did not have any effect on the financial position, performance or accounting policies of the Group:

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

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

  This amendment has had no impact on the disclosures for the Group.

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

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

  The following items are addressed by this standard:

  - IFRS 2 – Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policy and disclosures (continued)

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

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

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

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

- IFRS 13 – Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.
- IAS 40 – Clarifies that judgement is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes investment property. That judgement is based on guidance in IFRS 3.

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

- Amendments to Australian Accounting Standards – Investments Entities: (effective 1 January 2014 / applicable for Group 1 July 2014) [AASB 1, AASB 3, AASB 7, AASB 10, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134, and AASB 139]

These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB3 *Business Combinations* when it obtains control of another entity.

These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through the profit or loss in its consolidated and separate financial statements.

These amendments also introduce new disclosure requirements for investment entities to AASB12 and AASB 127.

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

NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of AGHL and its subsidiaries, AT and its subsidiaries, AGPL and its subsidiaries, AIT and its subsidiaries, ASPT and its subsidiaries and ASOL and its subsidiaries collectively referred to as Abacus.

The adoption of AASB10 in the year ended 30 June 2012 has led to the consolidation of Abacus Hospitality Fund and its controlled entities, Abacus Diversified Income Fund II and its controlled entities, Abacus Miller Street Holding Trust and Abacus Wodonga Land Fund. This is due to the combination of Abacus' role as responsible entity and its exposure to variable returns arising from its collective equity and loan investments in these funds and certain guarantees. Abacus Miller Street Holding Trust was deconsolidated following the sale of its only property and the distribution of the Trust's assets in June 2014.

Non-controlling interests represent those equity interests in Abacus Hospitality Fund, Abacus Miller Street Holding Trust, Abacus Wodonga Land Fund, Abacus Jigsaw Trust and Abacus Independent Retail Property Trust that are not held by the Group and are presented separately in the income statement and within equity in the consolidated statement of financial position.

3. SEGMENT INFORMATION

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: the segment is responsible for the investment in and ownership of commercial, retail and industrial properties. This segment also includes the equity accounting of material co-investments in property entities not engaged in development and construction projects;

(b) Funds Management: the segment includes development, origination, co-investment and fund management revenues and expenses in addition to discharging the Group's responsible entity obligation;

(c) Property Ventures: provides secured lending and related property financing solutions and is also responsible for the Group's investment in joint venture and associates' development and construction projects, which includes revenue from debt and equity investments in joint ventures and associates. This segment is also responsible for the Group's investment in property securities; and

(d) Storage: the segment is responsible for the investment in, and ownership of, self-storage facilities.

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

The Group has consolidated the Abacus Hospitality Fund, Abacus Diversified Income Fund II 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

3. SEGMENT INFORMATION (continued)

	Core Segments					Non Core Segments				
		Funds	Property		Total Core				Unallocated/	
	Property	Management	Ventures	Storage	Segments	AHF	ADIFII	AWLF	Eliminations	Consolidated
Half-year ended 31 Dec 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue										
Rental income	38,440	-	-	-	**38,440**	(34)	6,931	23	-	**45,360**
Storage income	-	-	-	27,049	**27,049**	-	-	-	-	**27,049**
Hotel income	885	-	-	-	**885**	28,476	-	-	-	**29,361**
Finance income	-	-	12,576	-	**12,576**	-	-	1	-	**12,577**
Funds management income	-	4,921	-	-	**4,921**	-	-	-	(2,723)	**2,198**
Sale of inventory	7,167	-	-	-	**7,167**	-	-	8,291	-	**15,458**
Net change in fair value of investment properties derecognised	22,006	-	-	-	**22,006**	-	382	-	-	**22,388**
Net change in fair value of investments and financial instruments derecognised	3,129	-	-	-	**3,129**	-	-	146	-	**3,275**
Net change in fair value of investment properties held at balance date	4,869	-	-	9,799	**14,668**	(1,875)	(4,661)	-	1,480	**9,612**
Net change in fair value of investments held at balance date	2	-	(53)	(1)	**(52)**	163	-	-	265	**376**
Share of profit from equity accounted investments ^	9,067	191	6,536	-	**15,794**	-	-	-	(193)	**15,601**
Unallocated other revenue	-	-	-	-	**242**	76	26	16	-	**360**
Total consolidated revenue	**85,565**	**5,112**	**19,059**	**36,847**	**146,825**	**26,806**	**2,678**	**8,477**	**(1,171)**	**183,615**
Property expenses and outgoings	(9,521)	-	-	-	**(9,521)**	(103)	(1,258)	(172)	230	**(10,824)**
Storage expenses	-	-	-	(10,359)	**(10,359)**	-	-	-	-	**(10,359)**
Hotel expenses	(930)	-	-	-	**(930)**	(20,956)	-	-	-	**(21,886)**
Depreciation, amortisation and impairment expense	(1,102)	-	-	(174)	**(1,276)**	(1,960)	(111)	(2)	-	**(3,349)**
Cost of inventory sales	(4,955)	-	-	-	**(4,955)**	-	-	(7,822)	-	**(12,777)**
Impairment of inventory*	-	-	(2,120)	-	**(2,120)**	-	-	(7,500)	-	**(9,620)**
Administrative and other expenses	(5,753)	(1,278)	(4,084)	(3,197)	**(14,312)**	(767)	(260)	(75)	(1,608)	**(17,022)**
Segment result	**63,304**	**3,834**	**12,855**	**23,117**	**103,352**	**3,020**	**1,049**	**(7,094)**	**(2,549)**	**97,778**

^ includes a fair value gain of $2.9 million

* The $7.5 million impairment of the Abacus Wodonga Land Fund inventory reflects a revision of future assumptions on revenues and development costs of the project based on current and anticipated market conditions and the impact of the revised development plan and planning permit approved by the City of Wodonga in October 2014.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

3. SEGMENT INFORMATION (continued)

	Core Segments					Non Core Segments				
Half-year ended 31 Dec 2014	Property $'000	Funds Management $'000	Property Ventures $'000	Storage $'000	Total Core Segments $'000	AHF $'000	ADIFII $'000	AWLF $'000	Unallocated/ Eliminations $'000	Consolidated $'000
Net change in fair value of derivatives					**(11,882)**	(1,172)	162	-	-	**(12,892)**
Finance costs					**(15,814)**	(3,379)	(4,389)	-	2,348	**(21,234)**
Profit / (loss) before tax					**75,656**	**(1,531)**	**(3,178)**	**(7,094)**	**(201)**	**63,652**
Income tax (expense) / (benefit					**(213)**	(543)	647	-	(899)	**(1,008)**
Net profit / (loss) for the period					**75,443**	**(2,074)**	**(2,531)**	**(7,094)**	**(1,100)**	**62,644**
less non-controlling interest					**(679)**	263	-	-	-	**(416)**
Net profit / (loss) for the period attributable to members of the Group					**74,764**	**(1,811)**	**(2,531)**	**(7,094)**	**(1,100)**	**62,228**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

3. SEGMENT INFORMATION (continued)

	Core Segments					Non Core Segments					
	Property	Funds Management	Property Ventures	Storage	Total Core Segments	AHF	ADIFII	AMSHT	AWLF	Unallocated/ Eliminations	Consolidated
Half-year ended 31 Dec 2013	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue											
Rental income	40,426	-	-	-	**40,426**	-	9,519	3,315	7	-	**53,267**
Storage income	-	-	-	23,799	**23,799**	-	-	-	-	-	**23,799**
Hotel income	858	-	-	-	**858**	29,360	-	-	-	-	**30,218**
Finance income	662	-	8,695	-	**9,357**	-	-	-	1	(662)	**8,696**
Funds management income	-	8,197	-	-	**8,197**	-	-	-	-	(6,786)	**1,411**
Sale of inventory	9,362	-	61,955	-	**71,317**	-	-	-	4,514	-	**75,831**
Net change in fair value of investment properties derecognised	7,558	-	-	-	**7,558**	-	1,266	-	-	-	**8,824**
Net change in fair value of investments and financial instruments derecognised	2,403	-	-	-	**2,403**	-	-	-	-	-	**2,403**
Net change in fair value of investment properties held at balance date	3,177	-	-	303	**3,480**	(1,007)	659	-	-	-	**3,132**
Net change in fair value of investments held at balance date	15	-	505	22	**542**	(264)	-	-	-	-	**278**
Share of profit from equity accounted investments ^	3,025	221	1,115	-	**4,361**	-	-	-	-	(541)	**3,820**
Unallocated other revenue	-	-	-	-	**320**	110	8	11	4	-	**453**
Total consolidated revenue	**67,486**	**8,418**	**72,270**	**24,124**	**172,618**	**28,199**	**11,452**	**3,326**	**4,526**	**(7,989)**	**212,132**
Property expenses and outgoings	(7,900)	-	(16)	-	**(7,916)**	(102)	(1,005)	(186)	(475)	411	**(9,273)**
Storage expenses	-	-	-	(8,840)	**(8,840)**	-	-	-	-	-	**(8,840)**
Hotel expenses	(880)	-	-	-	**(880)**	(19,825)	-	-	-	-	**(20,705)**
Depreciation, amortisation and impairment expense	(2,672)	-	-	(132)	**(2,804)**	(1,932)	(192)	(63)	-	-	**(4,991)**
Cost of inventory sales	(8,387)	-	(57,873)	-	**(66,260)**	-	-	-	(3,563)	-	**(69,823)**
Administrative and other expenses	(4,102)	(912)	(1,823)	(2,279)	**(9,116)**	(807)	(457)	(182)	(50)	(1,484)	**(12,096)**
Segment result	**43,545**	**7,506**	**12,558**	**12,873**	**76,802**	**5,533**	**9,798**	**2,895**	**438**	**(9,062)**	**86,404**

^ includes a fair value gain of $0.4 million

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

3. SEGMENT INFORMATION (continued)

	Core Segments					Non Core Segments					
	Property	Funds Management	Property Ventures	Storage	Total Core Segments	AHF	ADIFII	AMSHT	AWLF	Unallocated/ Eliminations	Consolidated
Half-year ended 31 Dec 2013	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Net change in fair value of derivatives					**(1,540)**	61	807	535	152	-	**15**
Finance costs					**(18,939)**	(6,835)	(5,696)	(2,057)	-	5,950	**(27,577)**
Profit / (loss) before tax					**56,323**	**(1,241)**	**4,909**	**1,373**	**590**	**(3,112)**	**58,842**
Income tax expense					**(9,194)**	(582)	(132)	-	-	-	**(9,908)**
Net profit / (loss) for the period					**47,129**	**(1,823)**	**4,777**	**1,373**	**590**	**(3,112)**	**48,934**
less non-controlling interest					**515**	(641)	-	(963)	(500)	-	**(1,589)**
Net profit / (loss) for the period attributable to members of the Group					**47,644**	**(2,464)**	**4,777**	**410**	**90**	**(3,112)**	**47,345**

NOTES TO THE FINANCIAL STATEMENTS
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3. SEGMENT INFORMATION (continued)

	Core Segments						Non Core Segments				
	Property	Funds Management	Property Ventures	Storage	Unallocated	Total	AHF	ADIFII	AWLF	Eliminations	Consolidated
As at 31 Dec 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Current assets	94,979	-	22,950	-	56,625	**174,554**	46,362	16,129	10,755	(2,936)	**244,864**
Non-current assets											
Investment properties	664,199	-	-	439,914	-	**1,104,113**	-	177,788	-	-	**1,281,901**
Inventory	-	-	93,938	-	-	**93,938**	-	-	17,923	(5,548)	**106,313**
Property, plant & equipment	515	-	-	3,421	-	**3,936**	114,905	-	10	-	**118,851**
Property loans	-	130,489	211,088	-	-	**341,577**	-	-	-	(130,489)	**211,088**
Other	117,479	27,500	43,286	-	36,925	**225,190**	2,751	22	-	(28,399)	**199,564**
Total assets	**877,172**	**157,989**	**371,262**	**443,335**	**93,550**	**1,943,308**	**164,018**	**193,939**	**28,688**	**(167,372)**	**2,162,581**
Current liabilities	12,056	2,704	6,295	7,160	1,697	**29,912**	8,535	3,444	998	-	**42,889**
Non-current liabilities	582	46,088	259	323	557,846	**605,098**	183,379	181,009	28,375	(187,755)	**810,106**
Total liabilities	**12,638**	**48,792**	**6,554**	**7,483**	**559,543**	**635,010**	**191,914**	**184,453**	**29,373**	**(187,755)**	**852,995**
Net assets	**864,534**	**109,197**	**364,708**	**435,852**	**(465,993)**	**1,308,298**	**(27,896)**	**9,486**	**(685)**	**20,383**	**1,309,586**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

3. SEGMENT INFORMATION (continued)

	Core Segments						Non Core Segments					
	Property	Funds Management	Property Ventures	Storage	Unallocated	Total	AHF	ADIFII	AMSHT	AWLF	Eliminations	Consolidated
As at 30 June 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Current assets	165,633	-	11,980	-	74,322	**251,935**	9,424	30,992	-	13,127	(3,557)	**301,921**
Non-current assets												
Investment properties	645,541	-	-	411,760	-	**1,057,301**	-	101,650	-	-	-	**1,158,951**
Inventory	-	-	65,226	-	-	**65,226**	-	-	-	22,998	(3,204)	**85,020**
Property, plant & equipment	610	-	-	3,455	-	**4,065**	150,307	-	-	11	-	**154,383**
Property loans	-	130,802	184,415	-	-	**315,217**	-	-	-	-	(130,802)	**184,415**
Other	109,173	27,500	47,531	1	34,766	**218,971**	3,147	28	-	-	(27,500)	**194,646**
Total assets	**920,957**	**158,302**	**309,152**	**415,216**	**109,088**	**1,912,715**	**162,878**	**132,670**	**-**	**36,136**	**(165,063)**	**2,079,336**
Current liabilities	7,683	1,982	4,354	4,867	23,860	**42,746**	7,101	2,625	-	550	-	**53,022**
Non-current liabilities	522	46,091	232	290	546,593	**593,728**	181,130	115,535	-	41,864	(196,133)	**736,124**
Total liabilities	**8,205**	**48,073**	**4,586**	**5,157**	**570,453**	**636,474**	**188,231**	**118,160**	**-**	**42,414**	**(196,133)**	**789,146**
Net assets	**912,752**	**110,229**	**304,566**	**410,059**	**(461,365)**	**1,276,241**	**(25,353)**	**14,510**	**-**	**(6,278)**	**31,070**	**1,290,190**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

4. EXPENSES

	31 Dec 2014 $'000	31 Dec 2013 $'000
Interest on loans	20,175	26,217
Amortisation of finance costs	1,059	1,360
Total finance costs	**21,234**	**27,577**

5. EARNINGS PER STAPLED SECURITY

	31 Dec 2014	31 Dec 2013
Basic and diluted earnings per stapled security (cents)	12.10	10.13
Reconciliation of earnings used in calculating earnings per stapled security		
Basic and diluted earnings per stapled security		
Net profit ($'000)	**62,228**	**47,345**
Weighted average number of shares:		
Weighted average number of stapled securities for basic earning per security ('000)	514,284	467,436

6. DISTRIBUTIONS PAID AND PROPOSED

Abacus	31 Dec 2014 $'000	31 Dec 2013 $'000
(a) Distributions paid during the period		
June 2014 half: 8.50 cents per stapled security (2013: 8.25 cents)	43,671	37,376
(b) Distributions proposed and not recognised as a liability^		
December 2014 half: 8.50 cents per stapled security (2013: 8.25 cents)	43,728	40,836

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 final distribution of 8.50 cents per stapled security was declared on 12 January 2015. The distribution will be paid on 27 February 2015 and will be approximately $43.7 million. No provision for the distribution has been recognised in the balance sheet at 31 December 2014 as the distribution had not been declared by the end of the half-year.

Non-core funds	31 Dec 2014 $'000	31 Dec 2013 $'000
(a) Distributions paid during the period		
Abacus Hospitality Fund	490	490
Abacus Diversified Income Fund II	1,247	1,215
Abacus Miller Street Holding Trust	-	214
	1,737	**1,919**
(b) Distributions proposed and recognised as a liability		
Abacus Hospitality Fund	245	245
Abacus Diversified Income Fund II	1,247	1,225
Abacus Miller Street Holding Trust	-	214
	1,492	**1,684**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

7. INVESTMENT PROPERTIES

	31 Dec 2014 $'000	30 Jun 2014 $'000
Leasehold investment properties [1]	10,836	-
Freehold investment properties	1,376,420	1,345,494
Total investment properties	**1,387,256**	**1,345,494**

1. The carrying amount of the leasehold property is presented gross of the finance liability of $2.2 million per Note 11 (e).

	31 Dec 2014 $'000	30 Jun 2014 $'000
Investment properties held for sale		
Retail	56,869	157,856
Office	10,433	10,484
Industrial	38,053	18,203
Total investment properties held for sale	**105,355**	**186,543**
Investment properties		
Retail	216,250	243,751
Office	512,809	355,950
Industrial	89,328	123,890
Storage	439,914	411,760
Other	23,600	23,600
Total investment properties	**1,281,901**	**1,158,951**
Total investment properties including held for sale	**1,387,256**	**1,345,494**

Reconciliation

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 12:

	Non-current	
Leasehold investment properties	**31 Dec 2014 $'000**	**30 Jun 2014 $'000**
Carrying amount at beginning of the financial period	-	-
Additions and capital expenditure	11,063	-
Fair value movements	(227)	-
Carrying amount at end of the period	**10,836**	**-**

	Held for sale		Non-current	
Freehold investment properties	**31 Dec 2014 $'000**	**30 Jun 2014 $'000**	**31 Dec 2014 $'000**	**30 Jun 2014 $'000**
Carrying amount at beginning of the financial period	186,543	175,710	1,158,951	1,221,395
Additions and capital expenditure	(61)	983	168,903	131,761
Net change in fair value as at balance date	(402)	(682)	12,856	23,420
Net change in fair value derecognised	22,388	6,894	-	4,501
Disposals	(175,264)	(138,304)	-	(93,437)
Effect of movements in foreign exchange	-	-	2,506	7,943
Properties transferred (to) / from held for sale	72,151	141,942	(72,151)	(141,942)
Transfers	-	-	-	5,310
Carrying amount at end of the period	**105,355**	**186,543**	**1,271,065**	**1,158,951**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

7. INVESTMENT PROPERTIES (continued)

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.

The independent and directors' valuations are based on common valuation methodologies and, in determining fair value, the capitalisation of net income method and the discounting of future cash flows to their present values have been used which are based upon assumptions and judgment in relation to future rental income, property capitalisation rate or estimated yield. The directors' valuations at 31 December 2014 make reference to market evidence of transaction prices for similar properties and include the key assumptions outlined below on a portfolio basis. Significant increase / (decrease) in each of these assumptions in isolation would result in a higher / (lower) fair value of the investment property.

Abacus*

The weighted average capitalisation rate for Abacus is 8.27% (30 June 2014: 8.36%) and for each category is as follows;

- Retail – 7.94% (30 June 2014: 7.83%)
- Office – 7.72% (30 June 2014: 8.35%)
- Industrial – 8.88% (30 June 2014: 10.00%)
- Storage – 8.79% (30 June 2014: 8.84%)
- Other – 7.00% (30 June 2014: 7.01%)

The current occupancy rate for the principal portfolio excluding development and self-storage assets is 94.5% (30 June 2014: 94.6%). The current occupancy rate for self-storage assets is 84.3% (30 June 2014: 84.9%).

A weighted average rent review for the 12 months to 31 December 2014 of 3.6% (30 June 2014: 3.6%).

During the half-year ended 31 December 2014, 14% (30 June 2014: 39%) of the number of investment properties in the portfolio was subject to external valuations, the remaining 86% (30 June 2014: 61%) was subject to internal valuation.

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Wodonga Land Fund

Abacus Diversified Income Fund II

A weighted average capitalisation rate for each category is as follows;

- Office – 9.09% (30 June 2014: 9.95%)
- Industrial – 8.59% (30 June 2014: 9.00%)

The current occupancy rate for the portfolio is 81% (30 June 2014: 82%).

The weighted average lease expiry term is 3.01 years (30 June 2014: 2.76 years).

During the half-year ended 31 December 2014, 60% (30 June 2014: 100%) of the number of investment properties in the portfolio was subject to external valuations, the remaining 40% (30 June 2014: Nil) was subject to internal valuation.

External valuations are conducted by qualified independent valuers who are appointed by the Managing Director of Abacus Property Services Pty Ltd who is also responsible for the Group's internal valuation process. The Managing Director is assisted by two employees both of whom hold relevant recognised professional qualifications and are experienced in valuing the types of properties in the applicable locations.

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 11(f).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

8. PROPERTY, PLANT AND EQUIPMENT

The following table is a reconciliation of the movements of property, plant and equipment classified as Level 3 in accordance with the fair value hierarchy outlined in Note 12 for the half-year ended 31 December 2014.

	31 Dec 2014 $'000	30 Jun 2014 $'000
Land and buildings		
At the beginning of the period, net of accumulated depreciation	142,259	137,649
Additions	521	3,084
Fair value movement through the income statement	(1,836)	(123)
Fair value movement through comprehensive income	-	(64)
Effect of movements in foreign exchange	1,054	2,861
Depreciation charge for the period	(567)	(1,148)
At the end of the period net of accumulated depreciation	**141,431**	**142,259**
Gross value	156,934	157,194
Accumulated depreciation	(15,503)	(14,935)
Net carrying amount at end of period	**141,431**	**142,259**
Plant and equipment		
At the beginning of the period, net of accumulated depreciation	14,824	14,451
Additions	1,182	3,591
Disposals	(124)	-
Effect of movements in foreign exchange	49	5
Depreciation charge for the period	(1,776)	(3,223)
At the end of the period net of accumulated depreciation	**14,155**	**14,824**
Gross value	41,993	42,853
Accumulated depreciation	(27,838)	(28,029)
Net carrying amount at end of period	**14,155**	**14,824**
Total	**155,586**	**157,083**

	31 Dec 2014 $'000	30 Jun 2014 $'000
Property, plant and equipment held for sale		
Current		
Hotel properties[1]	36,735	2,700
Total current property, plant and equipment held for sale	**36,735**	**2,700**
Non-current		
Hotel properties	114,905	150,307
Storage properties	3,421	3,455
Office equipment / furniture and fittings	525	621
Total non-current property, plant and equipment	**118,851**	**154,383**
Total property, plant and equipment including held for sale	**155,586**	**157,083**

1. Includes a pub property but excludes the value of licence that is accounted for separately as an intangible.

The property, plant and equipment are carried at the directors' determination of fair value except held for sale which are measured at the lower of their carrying amount and fair value less costs to sell. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

8. PROPERTY, PLANT AND EQUIPMENT (continued)

The independent and directors' valuations are based on common valuation methodologies and in determining fair value, the capitalisation of net income method and the discounting of future cash flows to their present values have been used which are based upon assumptions and judgment in relation to future rental income, property capitalisation rate or estimated yield. The directors' valuations at 31 December 2014 make reference to market evidence of transaction prices for similar properties and include the key assumptions outlined below on a portfolio basis. Significant movement in each of these assumptions in isolation would result in a higher / (lower) fair value of the property, plant and equipment.

Hotel Properties

- A weighted average capitalisation rate is 9.32% (30 June 2014: 9.57%)
- The current weighted average occupancy rate is 76% (30 June 2014: 72%)

Storage Properties

- A weighted average capitalisation rate is 8.73% (30 June 2014: 8.84%)
- The current weighted average occupancy rate is 84.3% (30 June 2014: 84.9%)

External valuations are conducted by qualified independent valuers who are appointed by the Managing Director of Abacus Property Services Pty Ltd who is also responsible for the Group's internal valuation process. The Managing Director is assisted by two employees both of whom hold relevant recognised professional qualifications and are experienced in valuing the types of properties in the applicable locations.

9. PROPERTY LOANS AND OTHER FINANCIAL ASSETS

	31 Dec 2014	30 Jun 2014
	$'000	$'000
(a) Current property loans		
Secured loans - amortised cost[1]	20	4,703
Interest receivable on secured loans - amortised cost	4	236
	24	**4,939**
(b) Non-current property loans		
Secured loans - amortised cost[1]	188,501	152,334
Interest receivable on secured loans - amortised cost	24,114	32,081
Provision for doubtful debts	(1,527)	-
	211,088	**184,415**
(c) Non-current other financial assets		
Investments in securities - unlisted - fair value	4,946	4,733
Other financial assets - fair value[2]	25,740	25,740
	30,686	**30,473**

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 2015 and the non-current facilities will mature between 1 January 2016 and 14 March 2017.
2. Abacus enters into loans and receivables with associated options that provide for a variety of outcomes including repayment of principal and interest, satisfaction through obtaining interests in equity or property or combinations thereof. At the end of the period, the maximum exposure to credit risk in relation to these instruments was $25.7 million (30 June 2014: $25.7 million).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 Dec 2014 $'000	30 Jun 2014 $'000
Investment in joint ventures	129,280	125,432
	129,280	125,432

(a) Details of Joint Ventures

		ownership interest		carrying value	
		31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014
	Principal Activity	%	%	$'000	$'000
111 Quay St Unit Trust	Property development	50	50	4	1
29 Browns Road Trust	Property development	50	-	1	-
309 George St JV Trust	Property investment	25	25	12,106	11,788
Abacus Crafted 1 Unit Trust	Property development	50	50	349	332
Abacus Crafted 2 Unit Trust	Property development	50	50	350	-
Abwill 350 George St Trust	Property development	50	50	4,295	4,263
Australian Aggregation Head Trust	Property investment	25	25	20,922	29,776
Birkenhead Point Marina Pty Ltd	Marina operator	50	50	44	101
Doncaster View Unit Trust	Property development	50	-	2	-
Fordtrans Pty Ltd (Virginia Park)	Property investment	50	50	62,825	62,445
Hampton Residential Retirement Trust	Property investment	50	50	6,277	6,279
Jack Road Investments Unit Trust	Property development	50	50	4,850	4,313
Pakenham Valley Unit Trust	Land subdivision	50	50	21	21
Queensberry Street Carlton Unit Trust	Property development	50	50	-	5,437
The Mount Druitt Unit Trust	Property development	50	50	746	676
WTC JV Unit Trust	Property investment	25	-	16,478	-
WTC JV Carpark Pty Ltd	Carpark operator	25	-	10	-
				129,280	125,432

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

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

	31 Dec 2014 $'000	31 Dec 2013 $'000
Revenue	167,799	42,425
Expenses	(143,345)	(28,201)
Net profit	**24,454**	**14,224**
Share of net profit	**15,601**	**3,820**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(c) Extract from joint ventures' balance sheets

	31 Dec 2014 $'000	30 Jun 2014 $'000
Current assets	53,422	24,842
Non-current assets	629,427	596,082
	682,849	620,924
Current liabilities	(31,558)	(13,516)
Non-current liabilities	(301,927)	(258,441)
	(333,485)	(271,957)
Net assets	**349,364**	**348,967**
Share of net assets	**127,615**	**125,432**

(d) Material investments in joint ventures

Fordtrans Pty Ltd (Virginia Park) ("VP")

Abacus has a 50% interest in the ownership and voting rights of Fordtrans Pty Ltd. VP's principal place of business is in Bentleigh East, Victoria.

VP owns a sizeable Business Park providing a mixture of industrial and office buildings as well as supporting facilities including gymnasium, swim centre, child care centre, children's play centre, cafe, yoga centre and martial arts centre. The site has recently been enhanced following the purchase of a neighbouring site by Abacus that offers expansion potential and residential opportunity. Abacus jointly controls the venture with the other partner under the terms of Unitholders Agreement and requires unanimous consent for all major decisions over the relevant activities.

Abacus' share of income (including distributions) for the period ended 31 December 2014 was $1.36 million (31 December 2013: $2.07 million).

Summarised financial information in respect of VP is as follows:

	31 Dec 2014 $'000	30 Jun 2014 $'000
Cash & cash equivalents	361	373
Other current assets	15,639	13,903
Total current assets	**16,000**	**14,276**
Total non-current assets	**177,481**	**177,078**
Total assets	**193,481**	**191,354**
Current liabilities	2,557	1,538
Non-current financial liabilties	65,274	65,274
Total liabilities	**67,831**	**66,812**
Net assets	**125,650**	**124,542**
Share of net assets	**62,825**	**62,445**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(d) Material investments in joint ventures (continued)

Fordtrans Pty Ltd (Virginia Park) ("VP")

	31 Dec 2014	31 Dec 2013
	$'000	$'000
Revenue	5,785	6,813
Interest income	804	1,724
Interest expense	(2,071)	(2,219)
Profit before tax	**2,719**	**4,141**
Total comprehensive income	**2,719**	**4,141**
Share of net profit	**1,359**	**318**

Australian Aggregation Head Trust ("AAHT")

Abacus has a 25% interest in the ownership and voting rights of Australian Aggregation Head Trust.

AAHT invests in core-plus office, retail and industrial properties in major Australian gateway cities. Abacus' share of income (including distributions) for the period ended 31 December 2014 was $5.72 million (31 December 2013: $0.50 million).

Summarised financial information in respect of AAHT is as follows:

	31 Dec 2014	30 Jun 2014
	$'000	$'000
Cash & cash equivalents	2,269	3,501
Other current assets	38,633	1,389
Total current assets	**40,902**	**4,890**
Total non-current assets	**114,400**	**233,750**
Total assets	**155,302**	**238,640**
Current liabilities	19,533	5,519
Non-current financial liabilties	58,232	113,167
Total liabilities	**77,765**	**118,686**
Net assets	**77,537**	**119,954**
Share of net assets	**20,922**	**29,776**

	31 Dec 2014	31 Dec 2013
	$'000	$'000
Revenue	107,792	11,701
Interest income	47	36
Interest expense	(2,380)	(3,289)
Profit before tax	**11,033**	**6,821**
Income tax expense	-	-
Total comprehensive income	**11,033**	**6,821**
Share of net profit	**7,387**	**650**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

11. INTEREST BEARING LOANS AND BORROWINGS

	31 Dec 2014 $'000	30 Jun 2014 $'000
Abacus*		
Current		
Other loans - A$	-	16,667
Finance lease	277	-
	277	**16,667**
(a) Total current	**277**	**16,667**

	31 Dec 2014 $'000	30 Jun 2014 $'000
Abacus*		
Non-current		
Bank loans - A$	441,660	439,297
Bank loans - A$ value of NZ$ denominated loan	62,832	61,086
Other loans - A$	4,292	4,292
Finance lease	1,945	-
Less: Unamortised borrowing costs	(2,699)	(3,235)
	508,030	**501,440**
Abacus Hospitality Fund		
Non-current		
Bank loans - A$	42,500	42,500
Bank loans - A$ value of NZ$ denominated loan	24,438	23,759
Loans from other parties	25,809	25,552
Less: Unamortised borrowing costs	(430)	(374)
	92,317	**91,437**
Abacus Diversified Income Fund II		
Non-current		
Bank loans - A$	92,098	27,760
Less: Unamortised borrowing costs	(317)	(390)
	91,781	**27,370**
(b) Total non-current	**692,128**	**620,247**

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Wodonga Land Fund

	31 Dec 2014 $'000	30 Jun 2014 $'000
(c) Maturity profile of current and non-current interest bearing loans		
Due within one year	-	16,667
Due between one and five years	563,629	494,246
Due after five years	130,000	130,000
	693,629	**640,913**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

11. INTEREST BEARING LOANS AND BORROWINGS (continued)

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 2015 to July 2020. The bank loans are secured by charges over the investment properties, certain inventory and certain property, plant and equipment.

Approximately 57% (30 June 2014: 76%) of bank debt drawn was subject to fixed rate hedges with a weighted average term to maturity of 4.2 years (30 June 2014: 4.6 years). Hedge cover as a percentage of available facilities at 31 December 2014 is 38.4% (30 June 2014: 50.4%).

Abacus' weighted average interest rate as at 31 December 2014 was 5.88% (30 June 2014: 5.41%). Line fees on undrawn facilities contributed to 0.44% of the weighted average interest rate at 31 December 2014 (30 June 2014: 0.34%). Abacus' weighted average interest rate excluding the undrawn facilities line fees as at 31 December 2014 was 5.44% (30 June 2014: 5.07%).

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Wodonga Land Fund

Abacus Hospitality Fund

AHF's $A and $NZ bank facility matures in April 2017. The facility is secured by a charge over AHF's hotel assets and at 31 December 2014 approximately 64.2% (30 June 2014: 64.8%) of drawn bank debt facilities were subject to current fixed rate hedges with a weighted average term to maturity of 2.4 years (30 June 2014: 2.8 years).

AHF's weighted average interest rate as at 31 December 2014 was 8.0% (30 June 2014: 7.7%).

Abacus Diversified Income Fund II

ADIF II has financed its investment property portfolio via a single facility which matures in June 2017.

The facility is secured by charges over ADIF II's investment properties and at 31 December 2014 approximately 58.1% (30 June 2014: 100.0%) of drawn bank debt facilities were subject to fixed rate hedges. The bank debt drawn at 31 December 2014 has a weighted average term to maturity of 2.5 years (30 June 2014: 2.6 years).

ADIF II's weighted average interest rate as at 31 December 2014 was 9.12% (30 June 2014: 8.05%).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

11. INTEREST BEARING LOANS AND BORROWINGS (continued)

(d) Financial facilities available

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

	31 Dec 2014 $'000	30 Jun 2014 $'000
Abacus*		
Total facilities - bank loans	745,000	755,000
Facilities used at reporting date - bank loans	(504,492)	(500,383)
Facilities unused at reporting date - bank loans	**240,508**	**254,617**
Abacus Hospitality Fund		
Total facilities - bank loans	70,000	70,000
Facilities used at reporting date - bank loans	(66,938)	(66,259)
Facilities unused at reporting date - bank loans	**3,062**	**3,741**
Abacus Diversified Income Fund II		
Total facilities - bank loans	112,500	76,911
Facilities used at reporting date - bank loans	(92,098)	(27,760)
Facilities unused at reporting date - bank loans	**20,402**	**49,151**

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Wodonga Land Fund

(e) Finance lease

The Group has a finance lease for an investment property which has no purchase option. Future minimum lease payments under the contract together with the present value of the net minimum lease payments are as follows:

	31 Dec 2014 $'000 Minimum Payments	31 Dec 2014 $'000 Present value of payments	31 Dec 2013 $'000 Minimum Payments	31 Dec 2013 $'000 Present value of payments
Within one year	277	277	-	-
Later than one year but not later than 5 years	1,204	840	-	-
Later than 5 years	5,019	1,105	-	-
Minimum lease payments	6,500	2,222	-	-
Future finance charges	(4,278)	-	-	-
Recognised as a liability / present value of minimum lease payments	**2,222**	**2,222**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

11. INTEREST BEARING LOANS AND BORROWINGS (continued)

(f) Assets pledged as security

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

	31 Dec 2014 $'000	30 Jun 2014 $'000
Current		
First mortgage		
Property, plant and equipment	36,735	2,700
Inventory	22,950	-
Investment properties held for sale	74,787	186,543
Total current assets pledged as security	134,472	189,243
Non-current		
First mortgage		
Freehold land and buildings	3,421	3,589
Property, plant and equipment	114,905	150,307
Inventory	10,322	31,008
Investment properties	1,181,692	1,102,281
Total non-current assets pledged as security	1,310,340	1,287,185
Total assets pledged as security	**1,444,812**	**1,476,428**

(g) 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 2014

12. FINANCIAL INSTRUMENTS

Fair values

Set out below, is a comparison by category of the carrying amounts and fair values of all the Group's financial instruments:

CONSOLIDATED	Carrying Amount 31 Dec 2014 $'000	Fair Value 31 Dec 2014 $'000	Carrying Amount 30 Jun 2014 $'000	Fair Value 30 Jun 2014 $'000
Financial assets				
Cash and cash equivalents[1]	54,969	54,969	61,653	61,653
Trade and other receivables (current)[1]	11,597	11,597	21,165	21,165
Trade and other receivables (non-current)[1]	-	-	7,085	7,085
Property loans (current)[2]	24	24	4,939	4,939
Property loans (non-current)[2]	211,088	211,088	184,415	184,415
Investment in securities - unlisted[3]	4,946	4,946	4,733	4,733
Derivatives (current)[3]	828	828	247	247
Investment in other financial assets[3]	25,740	25,740	25,740	25,740
Total financial assets	**309,192**	**309,192**	**309,977**	**309,977**
Financial Liabilities				
Trade and other payables[1]	32,999	32,999	21,527	21,527
Interest bearing loans and borrowings (current)[4]	277	277	16,667	16,667
Interest bearing loans and borrowings (non-current)[4]	692,128	692,128	620,247	620,247
Derivatives (current)[3]	503	503	-	-
Derivatives (non-current)[3]	59,877	59,877	57,602	57,602
Other financial liabilities (current)[5]	25	25	1,136	1,136
Other financial liabilities (non-current)[5]	45,959	45,959	45,983	45,983
Total financial liabilities	**831,768**	**831,768**	**763,162**	**763,162**
Net financial assets / (liabilities)	**(522,576)**	**(522,576)**	**(453,185)**	**(453,185)**

1. These financial assets and liabilities are not subject to interest rate or market risk and the fair value approximates carrying value.
2. These receivables are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer and the risk characteristics of the project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2014, the carrying amounts of receivables, net of allowances, were not materially different from their carrying values.
3. These financial assets and liabilities are subject to interest rate and market risks, the basis of determining the fair value is set out below in the fair value hierarchy.
4. The fair value of these financial liabilities (excluding derivative instruments and finance lease $2.2 million[1]) are determined at each reporting date in accordance with generally accepted valuation techniques; these include the use of recent arm's length transactions, reference to other assets that are substantially the same; or discounted cash flow analysis.
5. The fair value of these financial liabilities recognises their associated risks and discounts any amounts payable in the future by an appropriate discount rate. Refer to disclosure Note 15 for more details relating to this liability.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

12. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

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

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

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

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

31 December 2014	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Current				
Property Loans	-	-	24	24
Derivative asset	-	828	-	828
Derivative liabilities	-	(503)	-	(503)
Interest bearing loans and borrowings	-	(277)	-	(277)
Total current	**-**	**48**	**24**	**72**
Non-current				
Property Loans	-	-	211,088	211,088
Investment in securities - unlisted	-	-	4,946	4,946
Investment in options	-	-	25,740	25,740
Derivative liabilities	-	(59,877)	-	(59,877)
Interest bearing loans and borrowings	-	(692,128)	-	(692,128)
Total non-current	**-**	**(752,005)**	**241,774**	**(510,231)**

30 June 2014	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Current				
Property Loans	-	-	4,939	4,939
Derivative asset	-	247	-	247
Interest bearing loans and borrowings	-	(16,667)	-	(16,667)
Total current	**-**	**(16,420)**	**4,939**	**(11,481)**
Non-current				
Property Loans	-	-	184,415	184,415
Investment in securities - unlisted	-	-	4,733	4,733
Investment in options	-	-	25,740	25,740
Derivative liabilities	-	(57,602)	-	(57,602)
Interest bearing loans and borrowings	-	(620,247)	-	(620,247)
Total non-current	**-**	**(677,849)**	**214,888**	**(462,961)**

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

12. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

The following table is a reconciliation of the movements in unlisted securities and options classified as Level 3 for the period ended 31 December 2014.

	Unlisted securities $'000	Options $'000	Total $'000
Opening balance as at 30 June 2014	4,733	25,740	30,473
Fair value movement through the income statement	231	-	231
Redemptions / conversions	(18)	-	(18)
Closing balance as at 31 December 2014	**4,946**	**25,740**	**30,686**

	Unlisted securities $'000	Options $'000	Total $'000
Opening balance as at 30 June 2013	4,641	23,640	28,281
Fair value movement through the income statement	505	-	505
Closing balance as at 31 December 2013	**5,146**	**23,640**	**28,786**

Determination of fair Value

The fair value of unlisted securities is determined by reference to the net assets which approximates fair value of the underlying entities.

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

The fair value of the options 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.

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 $7.9 million (30 June 2014: $7.9 million) or increase the fair value by $7.9 million (30 June 2014: $7.9 million). Similarly, a change in the unit price of securities of 10% would have the effect of reducing the fair value by up to $0.5 million (30 June 2014: $0.5 million) or increase the fair value by $0.5 million (30 June 2014: $0.5 million).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

13. CONTRIBUTED EQUITY

(a) Issued stapled securities	31 Dec 2014 $'000	30 Jun 2014 $'000
Stapled securities	1,446,300	1,444,602
Issue costs	(40,845)	(40,846)
Total contributed equity	1,405,455	1,403,756

	Stapled securities	
(b) Movement in stapled securities on issue	**Number '000**	**Value $'000**
At 30 June 2014	513,779	1,403,756
- distribution reinvestment plan	668	1,699
Securities on issue at 31 December 2014	514,447	1,405,455

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

14. CAPITAL MANAGEMENT

Abacus*

Abacus seeks to manage its capital requirements through a mix of debt and equity funding. It also ensures that Group entities comply with capital and distribution requirements of their constitutions and/or trust deeds, the capital requirements of relevant regulatory authorities and continue to operate as a going concern. Abacus also protects its equity in assets by taking out insurance.

Abacus assesses the adequacy of its capital requirements, cost of capital and gearing (i.e. debt/equity mix) as part of its broader strategic plan. In addition to tracking actual against budgeted performance, Abacus reviews its capital structure to ensure sufficient funds and financing facilities (on a cost effective basis) are available to implement its strategy that adequate financing facilities are maintained and distributions to members are made within the stated distribution guidance (i.e. paid out of underlying profits).

The following strategies are available to the Group to manage its capital: issuing new stapled securities, its distribution reinvestment plan, electing to have the distribution reinvestment plan underwritten, adjusting the amount of distributions paid to members, activating a security buyback program, divesting assets, active management of its fixed rate swaps, directly purchasing assets in managed funds and joint ventures, or (where practical) recalibrating the timing of transactions and capital expenditure so as to avoid a concentration of net cash outflows.

Abacus manages the cash flow effect of interest rate risk by entering into interest rate swap agreements that are used to convert floating interest rate borrowings to fixed interest rates. Such interest rate swaps are entered into with the objective of hedging the risk of interest rate fluctuations in respect of underlying borrowings. Under the interest rate swaps, Abacus agrees with other parties to exchange, at specified intervals (mainly monthly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Interest rate swap contracts have been recorded on the Statement of Financial Position at their fair value in accordance with AASB 139 Financial Instruments: Recognition and Measurement. The AIFRS documentation, designation and effectiveness requirements cannot be met in all circumstances, as a result derivatives do not qualify for hedge accounting and are recorded at fair value through the Statement of Income.

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Wodonga Land Fund

A summary of Abacus' key banking covenants and its compliance is set out below:

Metrics	Covenant Requirement / Measure	Key Details
Nature of facilities	Secured, non recourse [1]	Abacus has no unsecured facilities
Group ICR	≥ 2.0 [2]	Abacus EBITDA (ex fair value P&L and impairment to goodwill and intangibles) / total interest expense
Total gearing	≤ 50% [2]	Total liabilities (net of cash) / total tangible assets (net of cash)
Debt covenants	Compliant	Key covenants include Bank LVR, Property ICR and Look Through Gearing

1. There are no market capitalisation covenants.
2. Condition of the current $480m Syndicated facility and the $40m Bilateral facility.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

14. CAPITAL MANAGEMENT (continued)

Consolidated Funds

The Capital Management approach and strategies employed by the Group are also deployed for the funds ABP manages and which are consolidated in these accounts – AHF, ADIF II and AWLF (or the Consolidated Funds).

Points unique to the capital management of these respective funds are:

- The Consolidated Funds via their responsible entities comply with capital and distribution requirements of their constitutions and/or deeds, the capital requirements of relevant regulatory authorities and continue to operate as going concerns; and
- There is currently no Distribution Reinvestment Plan for any of the Funds.

A summary of compliance of banking covenants – by fund – is set out below:

Metrics	AHF	ADIF II
Nature of facilities	Secured, non recourse	Secured, non recourse
Debt covenants	Compliant	Compliant

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

15. OTHER FINANCIAL LIABILITIES

Abacus*

The Group has provided the following guarantees to the ADIFII unitholders:

Unit Type	Cash Distribution Yield Guarantee	Capital Return Guarantee
Class A $1.00 – Term 2	7.50% pa	$1.00 per Unit on 30 September 2015
Class A $1.00 – Term 3	7.75% pa	$1.00 per Unit on 30 September 2016
Class B $1.00	9% pa plus indexation (indexed in line with inflation in each year after 1 July 2011).	$1.00 per Unit at Fund termination (no later than 30 June 2017).
Class C $0.75	9% pa plus indexation (indexed in line with inflation in each year after 1 July 2011).	$0.75 per Unit at Fund termination (no later than 30 June 2017).

The Underwritten Distributions will be achieved by deferring the interest on the Working Capital Facility or by deferring any of the fees payable to Abacus under the constitution of ADIFII (or a combination of these things) or in any other way Abacus considers appropriate. Any interest or fee deferral or other funding support may be recovered if the actual cash distribution exceeds the cash required to meet the underwritten distribution at the expiration of the Fund term or on a winding up of the Fund.

The Underwritten Capital Return will apply to all ADIFII units on issue on or after 1 July 2016 (Class B and C) and on the dates stated above for Term 2 and 3 of Class A. At the relevant time Abacus will ensure that each holder of Class A and Class B units receives back their $1.00 initial capital and each holder of Class C units receives back their $0.75 initial capital. The Underwritten Capital returns will be satisfied by a payment in cash or by Abacus issuing ABP stapled securities.

After 30 June 2016 the Group will, if required, set off all or part of the principal of the second secured Working Capital Facility loan provided to ADIFII in satisfaction of the Group's obligations in respect of the Underwritten Capital Return in respect of the Class B and Class C units.

As a result of the consolidation of ADIFII under AASB10 the underwritten capital guarantee results in ADIFII's units on issue being classified as a liability and at the end of the period the value was $46.0 million (30 June 2014: $47.1 million). The original Class A guarantee was satisfied on 30 September 2013 by the payment of $9.1 million.

The offer document for ADIFII was closed in December 2011 and no further equity will be raised. The guarantee exposure on Class A units in Term 2 of $25,000 will be paid on 30 September 2015 and the balance of the guarantee exposure will be determined at the termination dates of Term 3 for Class A units and 30 June 2017 for Class B and Class C units.

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Wodonga Land Fund

NOTES TO THE FINANCIAL STATEMENTS
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16. COMMITMENTS AND CONTINGENCIES

There are no contingent assets or liabilities at 31 December 2014 other than disclosed in this report.

17. EVENTS AFTER BALANCE SHEET DATE

Other than as disclosed in this report, 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 of the Group's state of affairs in further financial periods.

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 2014 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, 18 February 2015

Frank Wolf
Managing Director

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To the members of Abacus Group Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Abacus Group Holdings Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of other comprehensive income, the 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 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 consolidated entity's financial position as at 31 December 2014 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 Group Holdings Limited and the entities it controlled during the half-year, 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 a written Auditor's Independence Declaration, a copy of which follows the Directors' Report.

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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 Abacus Group Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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

Ernst & Young

Kathy Parsons
Partner
Sydney
18 February 2015