

# 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 2015

### Results for announcement to the market

(corresponding period half year ended 31 December 2014)

Total revenues and other income	up	11%	to	\$203.88m
Net profit after income tax expense attributable to members of the Group	up	21%	to	\$75.5m
Underlying profit <sup>(1)</sup>	down	17%	to	\$57.1m

- (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 Dec 2015 \$'000	31 Dec 2014 \$'000
<b>Consolidated statutory net profit after tax attributable to members of the Group</b>	<b>75,513</b>	<b>62,228</b>
add back: consolidated (profits)/losses relating to managed funds (these profits/(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)	(4,590)	12,536
<b>Net profit attributable to ABP securityholders</b>	<b>70,923</b>	<b>74,764</b>
<b>Certain significant items:</b>		
Net change in fair value of investment properties held at balance date	(36,840)	(14,668)
Net change in property, plant and equipment measured at fair value	-	(40)
Net loss in fair value of investments and financial instruments held at balance date	4,257	52
Net loss in fair value of derivatives	2,079	11,882
Net change in fair value of property, plant and equipment and investment properties included in equity accounted investments	(11,769)	(2,915)
Impairment of land development	40,622	-
Tax benefit on significant items	(12,186)	-
<b>Underlying profit attributable to ABP securityholders</b>	<b>57,086</b>	<b>69,075</b>
Basic earnings per security (cents)	13.64	12.10
Basic underlying earnings per security <sup>^</sup> (cents)	10.31	13.43
Distribution per security (cents - including proposed distribution)	8.50	8.50
Weighted average securities on issue (million)	553.7	514.3
<sup>^</sup> Abacus		

Distributions	per stapled security
December 2015 half	8.50 cents
This distribution was declared on 12 January 2016 and will be paid on or about 26 February 2016	
Record date for determining entitlement to the distributions	19 January 2016

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 2015.

Details of individual and total distribution payments to securityholders	per stapled security	Total
Final June 2015 distribution	paid 14 August 2015	8.50 cents
		\$47.0 m
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 2015	30 June 2015
Net tangible assets per security <sup>(2)</sup>	\$2.54	\$2.49

(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 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	%	%	\$'000	\$'000
29 Browns Road Pty Ltd	50	50	3,167	(11)
Australian Aggregation Head Trust	25	25	3,308	7,387
Fordtrans Pty Ltd (Virginia Park)	50	50	5,620	1,359
Jack Road Investments Pty Ltd	50	50	31	6,057
Oasis JV Unit Trust	40	-	4,727	-
St Leonards JV Unit Trust	50	-	2,535	-
WTC JV Unit Trust	25	25	1,188	27
Other	25 - 50	25 - 50	1,047	782
			<b>21,623</b>	<b>15,601</b>

The equity accounted profits/losses includes a fair value increment of \$11.8 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](http://www.abacusproperty.com.au).

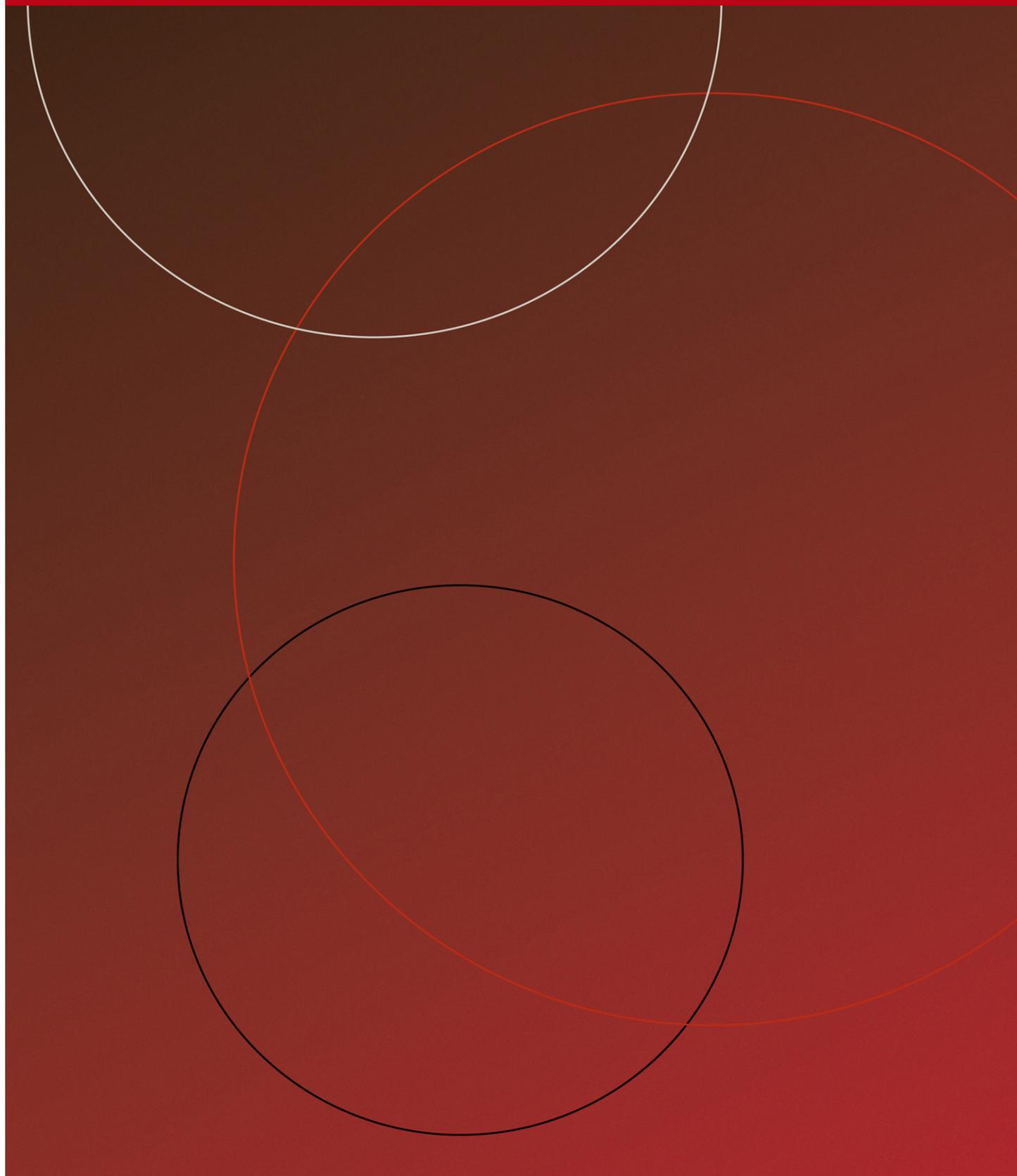
Securityholders wishing to participate in the DRP may lodge their election notice at any time. The record date for determining entitlements to each distribution is also the record date for participation in the DRP for that distribution.

Abacus Property Group  
ABN 31 080 604 619



Financial Report

For the half-year ended 31 December 2015



# ANNUAL FINANCIAL REPORT

31 December 2015

## 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](http://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  
Peter Spira

#### 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 12, 225 George St  
SYDNEY NSW 2000  
Tel: 1300 737 760  
Fax: 1300 653 459

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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 2015 and Abacus Property Group's 30 June 2015 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 2015

The Directors present their report for the period ended 31 December 2015.

### 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
Peter Spira	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 \$1.8 billion at 31 December 2015.

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 2015 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 2015 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 2015

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. 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 \$75.5 million for the half-year ended 31 December 2015 (December 2014: \$62.2 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 \$57.1 million (December 2014: \$69.1 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, 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 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 2015	31 Dec 2014
	\$'000	\$'000
<b>Consolidated statutory net profit after tax attributable to members of the Group</b>	<b>75,513</b>	<b>62,228</b>
add back: Consolidated (profits)/losses relating to the managed funds (these (profits)/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)	(4,590)	12,536
<b>Net profit attributable to Abacus securityholders</b>	<b>70,923</b>	<b>74,764</b>
<b>Certain significant items:</b>		
Net (gain) / loss in fair value of investment properties held at balance date	(36,840)	(14,668)
Net change in property, plant and equipment remeasured at fair value	-	(40)
Net change in fair value of investments and financial instruments held at balance date	4,257	52
Net loss in fair value of derivatives	2,079	11,882
Net change in fair value of property, plant and equipment and investment properties included in equity accounted investments	(11,769)	(2,915)
Impairment of land development	40,622	-
Tax benefit on significant items	(12,186)	-
<b>Underlying profit attributable to Abacus securityholders</b>	<b>57,086</b>	<b>69,075</b>
	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Basic earnings per security (cents)	13.64	12.10
Basic underlying earnings per security^ (cents)	10.31	13.43
Distribution per security^ (cents - including proposed distribution)	8.50	8.50
Weighted average securities on issue (million)	553.7	514.3

^Abacus

**DIRECTORS' REPORT****31 December 2015****GROUP RESULTS SUMMARY (continued)**

Abacus continued to be a cautious acquirer of new properties and remains committed that property fundamentals must be satisfied for any new purchase. Abacus was able to secure the following properties that met our investment criteria: Lutwyche City Shopping Centre in Brisbane for \$65 million (75% interest), an office and retail building at 201 Pacific Highway, St Leonards for \$115 million (50% interest) and four storage facilities in suburban Sydney, Melbourne and Brisbane for \$34 million.

The Abacus investment portfolio was revalued at 31 December 2015 which resulted in a gain of \$36.8 million or a 2.8% increase on prior book values. In addition, there was an \$11.8 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 28 basis points from 8.05% to 7.77%. The investment portfolio is now valued at over \$1.49 billion including \$976 million of commercial properties across 34 assets and \$514 million of storage facilities across 59 assets.

The residential land sub-division at Muswellbrook has been adversely affected by the sharp decline in the coal industry. Muswellbrook has been deeply affected by this decline which has resulted in increased unemployment and a poor economic outlook particularly for the residential market. This has resulted in a non-recurring impairment of \$40.6 million. This impairment has been driven by the specific conditions within the coal industry and the Muswellbrook area.

**CHANGES IN THE STATE OF AFFAIRS**

The contributed equity of the Group increased \$2.0 million to \$1,516.0 million compared to \$1,514.0 million as at 30 June 2015 due to the securityholder participation in the distribution reinvestment plan.

Total equity increased by \$48.1 million to \$1,486.2 million at 31 December 2015 compared to \$1,438.1 million at 30 June 2015.

**DISTRIBUTIONS**

An interim distribution of 8.50 cents per Abacus stapled security was declared on 12 January 2016 which will be paid on 26 February 2016. 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.

**DIRECTORS' REPORT**

31 December 2015

**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, 18 February 2016



Frank Wolf  
Managing Director



Ernst & Young  
680 George Street  
Sydney NSW 2000 Australia  
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## 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 2015, 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  
18 February 2016

**CONSOLIDATED INCOME STATEMENT**  
**HALF-YEAR ENDED 31 DECEMBER 2015**

	Notes	31 Dec 2015 \$'000	31 Dec 2014 \$'000
<b>REVENUE</b>			
Rental income		41,988	45,360
Storage income		29,976	27,049
Hotel income		25,552	29,361
Finance income		29,855	12,937
Funds management income		2,109	2,198
Sale of inventory		9,671	15,458
<b>Total Revenue</b>		<b>139,151</b>	<b>132,363</b>
<b>OTHER INCOME</b>			
Net change in fair value of investment properties derecognised		1,073	22,388
Net change in fair value of financial instruments derecognised		491	3,275
Net change in fair value of investment properties and property, plant & equipment held at balance date		41,543	9,612
Share of profit from equity accounted investments	5(a)	21,623	15,601
<b>Total Revenue and Other Income</b>		<b>203,881</b>	<b>183,239</b>
Property expenses and outgoings		(8,870)	(10,824)
Storage expenses		(11,284)	(10,359)
Hotel expenses		(19,105)	(21,886)
Depreciation and amortisation expense		(3,036)	(3,349)
Cost of inventory sales		(9,600)	(12,777)
Net loss on sale of property, plant and equipment		(92)	-
Net change in fair value of derivatives		(782)	(12,892)
Net change in fair value of investments held at balance date		(4,192)	376
Impairment charges	3	(40,622)	(9,620)
Finance costs		(19,175)	(21,234)
Administrative and other expenses		(13,986)	(17,022)
<b>PROFIT BEFORE TAX</b>		<b>73,137</b>	<b>63,652</b>
Income tax benefit / (expense)		4,122	(1,008)
<b>NET PROFIT AFTER TAX</b>		<b>77,259</b>	<b>62,644</b>
<b>PROFIT ATTRIBUTABLE TO:</b>			
Equity holders of the parent entity (AGHL)		(2,732)	(1,991)
<i>Equity holders of other stapled entities</i>			
AT members		55,338	43,235
AGPL members		4,334	2,598
AIT members		3,436	2,393
ASPT members		(1,643)	149
ASOL members		16,780	15,844
<b>Stapled security holders</b>		<b>75,513</b>	<b>62,228</b>
Net profit attributable to external non-controlling interests		1,746	416
<b>NET PROFIT</b>		<b>77,259</b>	<b>62,644</b>
<b>Basic and diluted earnings per stapled security (cents)</b>	1	13.64	12.10

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### HALF-YEAR ENDED 31 DECEMBER 2015

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
<b>NET PROFIT AFTER TAX</b>	77,259	62,644
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that will not be reclassified subsequently to the income statement</i>		
Revaluation of assets, net of tax	8,532	-
<i>Items that may be reclassified subsequently to the income statement</i>		
Foreign exchange translation adjustments, net of tax	1,953	1,034
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>87,744</b>	<b>63,678</b>
<b>Total comprehensive income attributable to:</b>		
Members of the APG Group	82,608	63,156
External non-controlling interests	5,136	522
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>87,744</b>	<b>63,678</b>
<b>Total comprehensive income / (loss) attributable to members of the Group analysed by amounts attributable to:</b>		
AGHL members	2,410	(1,832)
AT members	55,338	43,235
AGPL members	4,334	2,598
AIT members	3,436	2,393
ASPT members	211	918
ASOL members	16,879	15,844
<b>TOTAL COMPREHENSIVE INCOME AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE GROUP</b>	<b>82,608</b>	<b>63,156</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AS AT 31 DECEMBER 2015

	Notes	31 Dec 2015 \$'000	30 Jun 2015 \$'000
<b>CURRENT ASSETS</b>			
Investment properties held for sale	2	204,397	51,047
Inventory	3	6,971	7,464
Property loans	4(a)	2	25
Cash and cash equivalents		32,827	38,388
Property, plant and equipment	10	-	3,080
Trade and other receivables		9,341	11,680
Derivatives at fair value		113	263
Other		3,069	2,742
<b>TOTAL CURRENT ASSETS</b>		<b>256,720</b>	<b>114,689</b>
<b>NON-CURRENT ASSETS</b>			
Investment properties	2	1,298,916	1,317,101
Inventory	3	68,696	112,689
Property loans	4(b)	339,617	263,008
Equity accounted investments	5(b)	155,897	137,227
Deferred tax assets		13,215	6,658
Property, plant and equipment	10	127,191	118,019
Other financial assets	4(c)	52,621	34,595
Intangible assets and goodwill		32,461	33,261
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,088,614</b>	<b>2,022,558</b>
<b>TOTAL ASSETS</b>		<b>2,345,334</b>	<b>2,137,247</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		28,295	29,812
Income tax payable		6	3,329
Other financial liabilities		230	25
Other		6,504	9,057
<b>TOTAL CURRENT LIABILITIES</b>		<b>35,035</b>	<b>42,223</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	6(a)	717,305	544,045
Derivatives at fair value		44,687	51,125
Deferred tax liabilities		10,921	10,490
Other financial liabilities		45,710	45,940
Other		5,479	5,296
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>824,102</b>	<b>656,896</b>
<b>TOTAL LIABILITIES</b>		<b>859,137</b>	<b>699,119</b>
<b>NET ASSETS</b>		<b>1,486,197</b>	<b>1,438,128</b>
<b>TOTAL EQUITY</b>		<b>1,486,197</b>	<b>1,438,128</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

AS AT 31 DECEMBER 2015

	Notes	31 Dec 2015 \$'000	30 Jun 2015 \$'000
<b>Equity attributable to members of AGHL:</b>			
Contributed equity		330,474	330,029
Reserves		11,633	7,870
Accumulated losses		(19,235)	(16,502)
<b>Total equity attributable to members of AGHL:</b>		<b>322,872</b>	<b>321,397</b>
<b>Equity attributable to unitholders of AT:</b>			
Contributed equity		900,726	899,670
Accumulated losses		(102,947)	(128,683)
<b>Total equity attributable to unitholders of AT:</b>		<b>797,779</b>	<b>770,987</b>
<b>Equity attributable to members of AGPL:</b>			
Contributed equity		25,690	25,649
Retained earnings		8,313	3,979
<b>Total equity attributable to members of AGPL:</b>		<b>34,003</b>	<b>29,628</b>
<b>Equity attributable to unitholders of AIT:</b>			
Contributed equity		125,843	125,682
Accumulated losses		(66,172)	(56,970)
<b>Total equity attributable to unitholders of AIT:</b>		<b>59,671</b>	<b>68,712</b>
<b>Equity attributable to members of ASPT:</b>			
Contributed equity		114,579	114,369
Reserves		1,562	(293)
Accumulated losses		(23,736)	(17,322)
<b>Total equity attributable to members of ASPT:</b>		<b>92,405</b>	<b>96,754</b>
<b>Equity attributable to members of ASOL:</b>			
Contributed equity		18,666	18,616
Reserves		93	(5)
Retained earnings		117,840	101,060
<b>Total equity attributable to members of ASOL:</b>		<b>136,599</b>	<b>119,671</b>
<b>Equity attributable to external non-controlling interest:</b>			
Contributed equity		73,056	65,543
Reserves		3,529	139
Accumulated losses		(33,717)	(34,703)
<b>Total equity attributable to external non-controlling interest:</b>		<b>42,868</b>	<b>30,979</b>
<b>TOTAL EQUITY</b>		<b>1,486,197</b>	<b>1,438,128</b>
Contributed equity	8	1,515,978	1,514,015
Reserves		13,288	7,572
Accumulated losses		(85,937)	(114,438)
Total stapled security holders' interest in equity		1,443,329	1,407,149
Total external non-controlling interest		42,868	30,979
<b>TOTAL EQUITY</b>		<b>1,486,197</b>	<b>1,438,128</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

### HALF-YEAR ENDED 31 DECEMBER 2015

	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income receipts	137,807	152,557
Interest received	836	1,306
Distributions received	207	186
Income tax paid	(5,324)	(7,674)
Finance costs paid	(17,350)	(20,768)
Operating payments	(64,197)	(67,151)
Payments for land acquisitions	(7,474)	(23,239)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>44,505</b>	<b>35,217</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for investments and funds advanced	(105,324)	(71,178)
Proceeds from sale and settlement of investments and funds repaid	22,420	38,513
Purchase of property, plant and equipment	(1,687)	(1,707)
Disposal of property, plant and equipment	3,768	-
Purchase of investment properties	(119,770)	(176,647)
Disposal of investment properties	33,203	178,129
Payment for other investments	(3,611)	(1,063)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(171,001)</b>	<b>(33,953)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of units	7,498	-
Return of capital	(234)	(585)
Payment of issue / finance costs	(3,259)	(282)
Repayment of borrowings	(19,131)	(73,665)
Proceeds from borrowings	184,032	111,983
Distributions paid	(48,055)	(45,443)
<b>NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>	<b>120,851</b>	<b>(7,992)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,645)</b>	<b>(6,728)</b>
Net foreign exchange differences	85	44
Cash and cash equivalents at beginning of period	38,387	61,653
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>32,827</b>	<b>54,969</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**HALF-YEAR ENDED 31 DECEMBER 2015**

	Attributable to the stapled security holder					External	Total Equity \$'000
	Issued capital \$'000	Asset revaluation reserve \$'000	Foreign currency translation \$'000	Employee equity benefits \$'000	Retained earnings \$'000	Non- controlling interest \$'000	
<b>CONSOLIDATED</b>							
<b>At 1 July 2015</b>	1,514,015	211	(298)	7,659	(114,438)	30,979	1,438,128
Other comprehensive income	-	5,142	1,953	-	-	3,390	10,485
Net income for the period	-	-	-	-	75,513	1,746	77,259
<b>Total comprehensive income for the period</b>	-	5,142	1,953	-	75,513	5,136	87,744
Equity raisings	-	-	-	-	-	7,504	7,504
Return of capital	-	-	-	-	-	(234)	(234)
Issue costs	(15)	-	-	-	-	-	(15)
Distribution reinvestment plan	1,978	-	-	-	-	-	1,978
Security acquisition rights	-	-	-	(1,379)	-	-	(1,379)
Distribution to security holders	-	-	-	-	(47,012)	(517)	(47,529)
<b>At 31 December 2015</b>	<b>1,515,978</b>	<b>5,353</b>	<b>1,655</b>	<b>6,280</b>	<b>(85,937)</b>	<b>42,868</b>	<b>1,486,197</b>

	Attributable to the stapled security holder					External	Total Equity \$'000
	Issued capital \$'000	Asset revaluation reserve \$'000	Foreign currency translation \$'000	Employee equity benefits \$'000	Retained earnings \$'000	Non- controlling interest \$'000	
<b>CONSOLIDATED</b>							
<b>At 1 July 2014</b>	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
<b>Total comprehensive income for the period</b>	-	-	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)
<b>At 31 December 2014</b>	<b>1,405,455</b>	-	<b>3,445</b>	<b>6,639</b>	<b>(141,606)</b>	<b>35,653</b>	<b>1,309,586</b>

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31 DECEMBER 2015

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## **NOTES TO THE FINANCIAL STATEMENTS – About this Report**

**31 DECEMBER 2015**

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 2015 was authorised for issue in accordance with a resolution of the directors on 18 February 2016.

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

## NOTES TO THE FINANCIAL STATEMENTS – Segment Information

31 DECEMBER 2015

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 developments and construction projects, which includes revenue from debt and equity investments in joint ventures. 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.

The 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 – Segment Information (continued)**

31 DECEMBER 2015

	Core Segments				Non Core Segments			Unallocated/ Eliminations	Consolidated	
	Property	Funds Management	Property Ventures	Storage	Total Core Segments	AHF	ADIFII			AWLF
Half-year ended 31 Dec 2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Revenue</b>										
Rental income	33,130	-	-	-	33,130	-	8,858	-	-	41,988
Storage income	-	-	-	29,976	29,976	-	-	-	-	29,976
Hotel income	321	-	-	-	321	25,231	-	-	-	25,552
Finance income	-	-	29,521	-	29,521	2	5	-	-	29,528
Funds management income	-	6,464	-	-	6,464	-	-	-	(4,355)	2,109
Sale of inventory	347	-	1,034	-	1,381	-	-	8,290	-	9,671
Net change in fair value of investment properties derecognised	40	-	-	-	40	-	1,033	-	-	1,073
Net change in fair value of financial instruments derecognised	491	-	-	-	491	-	-	-	-	491
Net change in fair value of investment properties held at balance date	30,858	-	-	5,982	36,840	1,030	3,673	-	-	41,543
Share of profit from equity accounted investments ^	18,093	208	3,530	-	21,831	-	-	-	(208)	21,623
Other unallocated revenue	-	-	-	-	239	58	19	11	-	327
<b>Total consolidated revenue</b>	<b>83,280</b>	<b>6,672</b>	<b>34,085</b>	<b>35,958</b>	<b>160,234</b>	<b>26,321</b>	<b>13,588</b>	<b>8,301</b>	<b>(4,563)</b>	<b>203,881</b>
Property expenses and outgoings	(6,873)	-	-	-	(6,873)	(103)	(1,967)	(222)	295	(8,870)
Storage expenses	-	-	-	(11,284)	(11,284)	-	-	-	-	(11,284)
Hotel expenses	(442)	-	-	-	(442)	(18,663)	-	-	-	(19,105)
Depreciation and amortisation expense	(1,007)	-	-	(170)	(1,177)	(1,798)	(60)	(1)	-	(3,036)
Cost of inventory sales	(267)	-	(1,043)	-	(1,310)	-	-	(8,290)	-	(9,600)
Net loss on sale of property, plant & equipment	(92)	-	-	-	(92)	-	-	-	-	(92)
Impairment charges	-	-	(40,622)	-	(40,622)	-	-	-	-	(40,622)
Administrative and other expenses	(5,040)	(1,120)	(2,240)	(2,800)	(11,200)	(615)	(375)	(33)	(1,763)	(13,986)
<b>Segment result</b>	<b>69,559</b>	<b>5,552</b>	<b>(9,820)</b>	<b>21,704</b>	<b>87,234</b>	<b>5,142</b>	<b>11,186</b>	<b>(245)</b>	<b>(6,031)</b>	<b>97,286</b>

^ includes fair value gain of \$11.8 million

**NOTES TO THE FINANCIAL STATEMENTS – Segment Information (continued)**

31 DECEMBER 2015

	Core Segments					Non Core Segments			Unallocated/ Eliminations	Consolidated
	Property	Storage	Funds Management	Property Ventures	Total Core Segments	AHF	ADIFII	AWLF		
Half-year ended 31 Dec 2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net change in fair value of investments held at balance date					(4,257)	40	-	-	25	(4,192)
Net change in fair value of derivatives					(2,079)	525	772	-	-	(782)
Finance costs					(14,566)	(2,896)	(4,522)	(4)	2,813	(19,175)
Profit / (loss) before tax					66,332	2,811	7,436	(249)	(3,193)	73,137
Income tax benefit / (expense)					5,012	(634)	(256)	-	-	4,122
<b>Net profit / (loss) for the period</b>					<b>71,344</b>	<b>2,177</b>	<b>7,180</b>	<b>(249)</b>	<b>(3,193)</b>	<b>77,259</b>
less non-controlling interest					(422)	(1,324)	-	-	-	(1,746)
<b>Net profit / (loss) for the period attributable to members of the Group</b>					<b>70,922</b>	<b>853</b>	<b>7,180</b>	<b>(249)</b>	<b>(3,193)</b>	<b>75,513</b>

**NOTES TO THE FINANCIAL STATEMENTS – Segment Information (continued)**

31 DECEMBER 2015

	Core Segments				Non Core Segments			Unallocated/ Eliminations	Consolidated	
	Property	Funds Management	Property Ventures	Storage	Total Core Segments	AHF	ADIFII			AWLF
Half-year ended 31 Dec 2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Revenue</b>										
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
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
<b>Total consolidated revenue</b>	<b>85,563</b>	<b>5,112</b>	<b>19,112</b>	<b>36,848</b>	<b>146,877</b>	<b>26,643</b>	<b>2,678</b>	<b>8,477</b>	<b>(1,436)</b>	<b>183,239</b>
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 charges	-	-	(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)
<b>Segment result</b>	<b>63,302</b>	<b>3,834</b>	<b>12,908</b>	<b>23,118</b>	<b>103,404</b>	<b>2,857</b>	<b>1,049</b>	<b>(7,094)</b>	<b>(2,814)</b>	<b>97,402</b>

^ includes fair value gain of \$2.9 million

**NOTES TO THE FINANCIAL STATEMENTS – Segment Information (continued)**

31 DECEMBER 2015

	Core Segments				Non Core Segments			Unallocated/ Eliminations	Consolidated	
	Property	Funds Management	Property Ventures	Storage	Total Core Segments	AHF	ADIFII			AWLF
Half-year ended 31 Dec 2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Net change in fair value of investments held at balance date					(52)	163	-	-	265	376
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)
<b>Net profit / (loss) for the period</b>					<b>75,443</b>	<b>(2,074)</b>	<b>(2,531)</b>	<b>(7,094)</b>	<b>(1,100)</b>	<b>62,644</b>
less non-controlling interest					(679)	263	-	-	-	(416)
<b>Net profit / (loss) for the period attributable to members of the Group</b>					<b>74,764</b>	<b>(1,811)</b>	<b>(2,531)</b>	<b>(7,094)</b>	<b>(1,100)</b>	<b>62,228</b>

**NOTES TO THE FINANCIAL STATEMENTS – Segment Information (continued)**

31 DECEMBER 2015

	Core Segments					Total	Non Core Segments				Consolidated
	Property	Storage	Funds Management	Property Ventures	Unallocated		AHF	ADIFII	AWLF	Eliminations	
As at 31 Dec 2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	110,050	-	-	-	30,859	140,909	10,838	97,058	15,435	(7,520)	256,720
Non-current assets											
Investment properties	714,460	510,706	-	-	-	1,225,166	-	73,750	-	-	1,298,916
Inventory	-	-	-	66,296	-	66,296	-	-	4,469	(2,069)	68,696
Property, plant & equipment	694	3,553	-	-	-	4,247	122,930	-	14	-	127,191
Property loans	-	-	137,658	339,617	-	477,275	-	-	-	(137,658)	339,617
Other	162,518	-	11,929	43,734	46,671	264,852	2,156	16	-	(12,830)	254,194
<b>Total assets</b>	<b>987,722</b>	<b>514,259</b>	<b>149,587</b>	<b>449,647</b>	<b>77,530</b>	<b>2,178,745</b>	<b>135,924</b>	<b>170,824</b>	<b>19,918</b>	<b>(160,077)</b>	<b>2,345,334</b>
Current liabilities	9,974	5,646	2,446	5,053	285	23,404	7,444	3,699	487	-	35,034
Non-current liabilities	673	374	45,860	299	624,148	671,354	149,241	133,534	20,960	(150,986)	824,103
<b>Total liabilities</b>	<b>10,647</b>	<b>6,020</b>	<b>48,306</b>	<b>5,352</b>	<b>624,433</b>	<b>694,758</b>	<b>156,685</b>	<b>137,233</b>	<b>21,447</b>	<b>(150,986)</b>	<b>859,137</b>
<b>Net assets</b>	<b>977,075</b>	<b>508,239</b>	<b>101,281</b>	<b>444,295</b>	<b>(546,903)</b>	<b>1,483,987</b>	<b>(20,761)</b>	<b>33,591</b>	<b>(1,529)</b>	<b>(9,091)</b>	<b>1,486,197</b>
Total facilities - bank loans						786,000	55,000	70,000	-		911,000
Facilities used at reporting date - bank loans						(574,288)	(51,233)	(65,732)	-		(691,253)
<b>Facilities unused at reporting date - bank loans</b>						<b>211,712</b>	<b>3,767</b>	<b>4,268</b>	<b>-</b>		<b>219,747</b>

**NOTES TO THE FINANCIAL STATEMENTS – Segment Information (continued)**

31 DECEMBER 2015

	Core Segments					Total	Non Core Segments				Consolidated
	Property	Storage	Funds Management	Property Ventures	Unallocated		AHF	ADIFII	AWLF	Eliminations	
As at 30 June 2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	38,796	-	-	-	38,687	77,483	9,677	18,789	14,250	(5,510)	114,689
Non-current assets											
Investment properties	700,440	453,761	-	-	-	1,154,201	-	162,900	-	-	1,317,101
Inventory	-	-	-	107,652	-	107,652	-	-	9,079	(4,042)	112,689
Property, plant & equipment	491	3,489	-	-	-	3,980	114,030	-	9	-	118,019
Property loans	-	-	131,934	263,008	-	394,942	-	-	-	(131,934)	263,008
Other	120,927	-	9,000	48,175	40,726	218,828	2,797	15	-	(9,899)	211,741
<b>Total assets</b>	<b>860,654</b>	<b>457,250</b>	<b>140,934</b>	<b>418,835</b>	<b>79,413</b>	<b>1,957,086</b>	<b>126,504</b>	<b>181,704</b>	<b>23,338</b>	<b>(151,385)</b>	<b>2,137,247</b>
Current liabilities	11,079	6,840	2,487	5,248	3,460	29,114	8,236	3,687	1,186	-	42,223
Non-current liabilities	621	345	46,078	276	441,220	488,540	149,249	149,094	23,432	(153,419)	656,896
<b>Total liabilities</b>	<b>11,700</b>	<b>7,185</b>	<b>48,565</b>	<b>5,524</b>	<b>444,680</b>	<b>517,654</b>	<b>157,485</b>	<b>152,781</b>	<b>24,618</b>	<b>(153,419)</b>	<b>699,119</b>
<b>Net assets</b>	<b>848,954</b>	<b>450,065</b>	<b>92,369</b>	<b>413,311</b>	<b>(365,267)</b>	<b>1,439,432</b>	<b>(30,981)</b>	<b>28,923</b>	<b>(1,280)</b>	<b>2,034</b>	<b>1,438,128</b>
Total facilities - bank loans						770,000	55,000	80,000	-		905,000
Facilities used at reporting date - bank loans						(387,832)	(51,233)	(79,895)	-		(518,960)
<b>Facilities unused at reporting date - bank loans</b>						<b>382,168</b>	<b>3,767</b>	<b>105</b>	<b>-</b>		<b>386,040</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2015

**1. EARNINGS PER STAPLED SECURITY**

	31 Dec 2015	31 Dec 2014
Basic and diluted earnings per stapled security (cents)	13.64	12.10
<b>Reconciliation of earnings used in calculating earnings per stapled security</b>		
<i>Basic and diluted earnings per stapled security</i>		
<b>Net profit (\$'000)</b>	<b>75,513</b>	<b>62,228</b>
<b>Weighted average number of shares:</b>		
Weighted average number of stapled securities for basic earning per security ('000)	553,682	514,284

**2. INVESTMENT PROPERTIES**

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
Leasehold investment properties <sup>1</sup>	11,133	11,119
Freehold investment properties	1,492,180	1,357,029
<b>Total investment properties</b>	<b>1,503,313</b>	<b>1,368,148</b>

1. The carrying amount of the leasehold property is presented gross of the finance liability of \$2.0 million.

**Reconciliation**

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
<b>Investment properties held for sale</b>		
Retail	19,500	19,100
Office	176,897	5,750
Industrial	6,700	26,197
Other	1,300	-
<b>Total investment properties held for sale</b>	<b>204,397</b>	<b>51,047</b>
<b>Investment properties</b>		
Retail	332,101	237,500
Office	342,650	501,350
Industrial	93,058	102,790
Storage	510,707	453,761
Other	20,400	21,700
<b>Total investment properties</b>	<b>1,298,916</b>	<b>1,317,101</b>
<b>Total investment properties including held for sale</b>	<b>1,503,313</b>	<b>1,368,148</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 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 2015	30 Jun 2015
	\$'000	\$'000
<b>Leasehold investment properties</b>		
Carrying amount at beginning of the financial period	11,119	-
Additions and capital expenditure	14	11,119
<b>Carrying amount at end of the period</b>	<b>11,133</b>	<b>11,119</b>

	Held for sale		Non-current	
	31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015
	\$'000	\$'000	\$'000	\$'000
<b>Freehold investment properties</b>				
Carrying amount at beginning of the financial period	51,047	186,543	1,305,982	1,158,950
Additions and capital expenditure	11	214	121,280	200,010
Net change in fair value as at balance date	390	(1,697)	40,122	24,255
Net change in fair value derecognised	1,073	32,688	-	-
Disposals	(33,021)	(233,534)	-	-
Effect of movements in foreign exchange	-	-	5,296	(4,400)
Properties transferred (to) / from held for sale	184,897	66,833	(184,897)	(66,833)
Transfers	-	-	-	(6,000)
<b>Carrying amount at end of the period</b>	<b>204,397</b>	<b>51,047</b>	<b>1,287,783</b>	<b>1,305,982</b>

The valuation policies followed at 31 December 2015 are the same as followed for the Annual Financial Report as at 30 June 2015.

#### Abacus\*

The weighted average capitalisation rate for Abacus is 7.78% (30 June 2015: 7.98%) and for each category is as follows;

- Retail – 6.89% (30 June 2015: 7.30%)
- Office – 7.44% (30 June 2015: 7.60%)
- Industrial – 8.27% (30 June 2015: 8.62%)
- Storage – 8.56% (30 June 2015: 8.62%)
- Other – N/A (30 June 2015: 7.04%)

The current occupancy rate for the principal portfolio excluding development and self-storage assets is 93.5% (30 June 2015: 93.4%). The current occupancy rate for self-storage assets is 86.0% (30 June 2015: 84.9%).

A weighted average rent review for the 12 months to 31 December 2016 of 3.6% (30 June 2015: 3.5%).

As at 31 December 2015, 25% (30 June 2015: 50%) of the number of investment properties in the portfolio were subject to external valuations, the remaining 75% (30 June 2015: 50%) were subject to internal valuation.

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

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2015

**2. INVESTMENT PROPERTIES (continued)****Abacus Diversified Income Fund II**

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

- Office – 8.65% (30 June 2015: 8.82%)
- Industrial – 8.75% (30 June 2015: 8.47%)

The current occupancy rate for the portfolio is 76.9% (30 June 2015: 78.8%).

As at 31 December 2015, none (30 June 2015: 100%) of the number of investment properties in the portfolio were subject to external valuations, the remaining 100% (30 June 2015: Nil) were subject to internal valuations.

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

**3. INVENTORY**

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
<b>(a) Current</b>		
Hotel supplies	384	415
Projects <sup>1</sup>		
- purchase consideration	1,293	1,089
- development costs	5,294	5,960
	<b>6,971</b>	<b>7,464</b>
<b>(b) Non-current</b>		
Projects <sup>1</sup>		
- purchase consideration	106,075	112,911
- development costs	12,191	8,699
- other costs	52	79
- diminution	(9,000)	(9,000)
- impairment charge <sup>2</sup>	(40,622)	-
	<b>68,696</b>	<b>112,689</b>
<b>Total inventory</b>	<b>75,667</b>	<b>120,153</b>

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

2. The residential land subdivision development at Muswellbrook was adversely affected by the decline in the coal industry. Muswellbrook has been deeply affected by this decline which has resulted in increased unemployment and a poor economic outlook which has severely affected its residential market. This has resulted in an impairment charge of \$40.622 million being incurred in the current period.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2015

**4. PROPERTY LOANS AND OTHER FINANCIAL ASSETS**

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
<b>(a) Current property loans</b>		
Secured loans - amortised cost <sup>1</sup>	2	20
Interest receivable on secured loans - amortised cost	-	5
	<b>2</b>	<b>25</b>
<b>(b) Non-current property loans</b>		
Secured loans - amortised cost <sup>1</sup>	295,688	229,020
Interest receivable on secured loans - amortised cost	43,929	33,988
	<b>339,617</b>	<b>263,008</b>
<b>(c) Non-current other financial assets</b>		
Investments in securities - unlisted - fair value	5,286	5,335
Investments in debt instruments - unlisted - amortised cost <sup>2</sup>	22,488	-
Derivatives - fair value	3,679	3,520
Other financial assets - fair value <sup>3</sup>	21,168	25,740
	<b>52,621</b>	<b>34,595</b>

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 2016 and the non-current facilities will mature between 1 January 2017 and 19 August 2017.
2. Abacus has a 50% investment in a joint venture St Leonards JV Unit Trust in which we have subscribed in preference units.
3. 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 \$21.2 million (30 June 2015: \$25.7 million).

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2015

**5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

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

	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
Revenue	81,934	167,799
Expenses	(32,232)	(143,345)
<b>Net profit</b>	<b>49,702</b>	<b>24,454</b>
<b>Share of net profit</b>	<b>21,623</b>	<b>15,601</b>

**(b) Extract from joint ventures' balance sheets**

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
Current assets	33,815	34,508
Non-current assets	916,543	723,377
	950,358	757,885
Current liabilities	(33,775)	(27,408)
Non-current liabilities	(528,626)	(387,297)
<b>Net assets</b>	<b>387,957</b>	<b>343,180</b>
<b>Share of net assets</b>	<b>155,897</b>	<b>137,227</b>

**(c) Material investments in joint ventures**

	Fordtrans Pty Ltd	Australian Aggregation Head Trust	Oasis JV Unit Trust	WTC JV Unit Trust	St Leonards JV Unit Trust <sup>1</sup>
31 December 2015	\$'000	\$'000	\$'000	\$'000	\$'000
Total assets	204,884	129,798	121,238	136,034	127,994
Total liabilities	66,935	59,435	63,714	67,371	112,035
<b>Net assets</b>	<b>137,949</b>	<b>70,363</b>	<b>57,524</b>	<b>68,663</b>	<b>15,959</b>
<b>Share of net assets</b>	<b>68,974</b>	<b>21,721</b>	<b>23,010</b>	<b>17,015</b>	<b>7,692</b>
Revenue	15,028	9,084	15,333	8,692	6,702
Total comprehensive income	12,034	6,772	11,724	6,580	4,671
<b>Share of net profit</b>	<b>5,620</b>	<b>3,308</b>	<b>4,727</b>	<b>1,188</b>	<b>2,535</b>

1. Abacus entered into a joint venture in August 2015 and has a 50% interest in the ownership and voting rights of the St Leonards JV Unit Trust. The Trust owns The Forum, 201 Pacific Highway, St Leonards, NSW.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2015

**5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)**

**(c) Material investments in joint ventures (continued)**

	Fordtrans Pty Ltd \$'000	Australian Aggregation Head Trust \$'000	Oasis JV Unit Trust \$'000	WTC JV Unit Trust \$'000
<b>30 June 2015</b>				
Total assets	192,983	126,098	109,300	133,952
Total liabilities	66,068	59,863	64,194	65,930
<b>Net assets</b>	<b>126,915</b>	<b>66,235</b>	<b>45,106</b>	<b>68,022</b>
<b>Share of net assets</b>	<b>63,457</b>	<b>19,074</b>	<b>18,042</b>	<b>16,855</b>
Revenue	8,866	161,234	3,647	8,421
Total comprehensive income / (loss)	3,380	27,356	(4,244)	2,906
<b>Share of net profit / (loss)</b>	<b>1,587</b>	<b>13,320</b>	<b>(1,737)</b>	<b>895</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2015

**6. INTEREST BEARING LOANS AND BORROWINGS**

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
<b>Abacus*</b>		
<b>Non-current</b>		
Bank loans - A\$	444,513	311,815
Bank loans - A\$ value of NZ\$ denominated loan	129,775	76,017
Other loans - A\$	4,292	4,292
Less: Unamortised borrowing costs	(2,640)	(3,187)
	<b>575,940</b>	<b>388,937</b>
<b>Other</b>		
<b>Non-current</b>		
Bank loans - A\$	116,965	131,128
Loans from other parties	24,889	24,640
Less: Unamortised borrowing costs	(489)	(660)
	<b>141,365</b>	<b>155,108</b>
<b>(a) Total non-current</b>	<b>717,305</b>	<b>544,045</b>

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

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
<b>(b) Maturity profile of current and non-current interest bearing loans</b>		
Due within one year	-	-
Due between one and five years	587,305	197,213
Due after five years	130,000	346,832
	<b>717,305</b>	<b>544,045</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2015

**6. 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 October 2018 to July 2021. The bank loans are secured by charges over the investment properties and certain inventory.

Approximately 55% (30 June 2015: 88%) of bank debt drawn was subject to fixed rate hedges with a weighted average term to maturity of 3.7 years (30 June 2015: 4.3 years). Hedge cover as a percentage of available facilities at 31 December 2015 is 40.1% (30 June 2015: 44.1%).

Abacus' weighted average interest rate as at 31 December 2015 was 5.47% (30 June 2015: 6.07%). Line fees on undrawn facilities contributed to 0.39% of the weighted average interest rate at 31 December 2015 (30 June 2015: 0.50%). Abacus' weighted average interest rate excluding the undrawn facilities line fees as at 31 December 2015 was 5.08% (30 June 2015: 5.57%). Abacus' weighted average interest rate was lower due to the weighted average drawn debt of \$504.5 million being higher than the previous period (30 June 2015: \$484.6 million).

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

**Abacus Hospitality Fund**

AHF's \$A bank facility matures in April 2017. The facility is secured by a charge over AHF's hotel assets and at 31 December 2015 approximately 58.6% (30 June 2015: 58.6%) of drawn bank debt facilities were subject to current fixed rate hedges with a weighted average term to maturity of 1.3 years (30 June 2015: 1.8 years).

AHF's weighted average interest rate as at 31 December 2015 was 7.2% (30 June 2015: 8.1%).

**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 2015 approximately 66.2% (30 June 2015: 67.0%) of drawn bank debt facilities were subject to fixed rate hedges. The bank debt drawn at 31 December 2015 has a weighted average term to maturity of 1.5 years (30 June 2015: 2.0 years).

ADIF II's weighted average interest rate as at 31 December 2015 was 6.89% (30 June 2015: 7.60%). ADIF II's weighted average interest rate was lower due to ADIF II aggregating its banking facilities to a single lender midway through the prior financial period.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2015

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

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

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
<b>Current</b>		
<i>First mortgage</i>		
Property, plant and equipment	-	3,080
Investment properties held for sale	183,597	31,947
<b>Total current assets pledged as security</b>	<b>183,597</b>	<b>35,027</b>
<b>Non-current</b>		
<i>First mortgage</i>		
Freehold land and buildings	-	3,489
Property, plant and equipment	122,930	114,030
Inventory	8,420	6,000
Investment properties	1,279,824	1,297,111
<b>Total non-current assets pledged as security</b>	<b>1,411,174</b>	<b>1,420,630</b>
<b>Total assets pledged as security</b>	<b>1,594,771</b>	<b>1,455,657</b>

**(d) Defaults and breaches**

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

### 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
Other financial assets	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.
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 2015

**7. 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 2015.

	Unlisted securities \$'000	Options \$'000	Total \$'000
<b>Opening balance as at 30 June 2015</b>	5,335	25,740	31,075
Fair value movement through the income statement	(48)	(4,572)	(4,620)
Redemptions / conversions	-	-	-
<b>Closing balance as at 31 December 2015</b>	<b>5,287</b>	<b>21,168</b>	<b>26,455</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2015

**8. CONTRIBUTED EQUITY**

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
<b>(a) Issued stapled securities</b>		
Stapled securities	1,557,540	1,555,563
Issue costs	(41,562)	(41,548)
<b>Total contributed equity</b>	<b>1,515,978</b>	<b>1,514,015</b>

	Stapled securities	
	Number	Value
	'000	\$'000
<b>(b) Movement in stapled securities on issue</b>		
<b>At 30 June 2015</b>	553,172	1,514,015
- distribution reinvestment plan	670	1,978
- less transaction costs	-	(15)
<b>Securities on issue at 31 December 2015</b>	<b>553,842</b>	<b>1,515,978</b>

**9. DISTRIBUTIONS PAID AND PROPOSED**

	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
<b>Abacus</b>		
<b>(a) Distributions paid during the period</b>		
June 2015 half: 8.50 cents per stapled security (2014: 8.25 cents)	47,012	43,671
<b>(b) Distributions proposed and not recognised as a liability<sup>^</sup></b>		
December 2015 half: 8.50 cents per stapled security (2014: 8.50 cents)	47,077	43,728

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.

<sup>^</sup> The final distribution of 8.50 cents per stapled security was declared on 12 January 2016. The distribution to be paid on 26 February 2016 will be \$47.1 million. No provision for the distribution has been recognised in the balance sheet at 31 December 2015 as the distribution had not been declared by the end of the half-year.

	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
<b>Non-core funds</b>		
<b>(a) Distributions paid during the period</b>		
Abacus Hospitality Fund	490	490
Abacus Diversified Income Fund II	1,255	1,247
	<b>1,745</b>	<b>1,737</b>
<b>(b) Distributions proposed</b>		
Abacus Hospitality Fund	245	245
Abacus Diversified Income Fund II	1,255	1,247
	<b>1,500</b>	<b>1,492</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2015

**10. PROPERTY, PLANT AND EQUIPMENT**

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
<b>Property, plant and equipment held for sale</b>		
<b>Current</b>		
Hotel properties <sup>1</sup>	-	3,080
<b>Total current property, plant and equipment held for sale</b>	<b>-</b>	<b>3,080</b>
<b>Non-current</b>		
Hotel properties	122,930	114,030
Storage properties	3,553	3,489
Office equipment / furniture and fittings	708	500
<b>Total non-current property, plant and equipment</b>	<b>127,191</b>	<b>118,019</b>
<b>Total property, plant and equipment including held for sale</b>	<b>127,191</b>	<b>121,099</b>

The valuation policies followed at 31 December 2015 are the same as followed for the Annual Financial Report as at 30 June 2015.

## Hotel Properties

- The weighted average capitalisation rate is 7.98% (30 June 2015: 8.81%)
- The current weighted average occupancy rate is 79% (30 June 2015: 72%)

## Storage Properties

- The weighted average capitalisation rate is 8.56% (30 June 2015: 8.62%)
- The current weighted average occupancy rate is 85.5% (30 June 2015: 90%)

**11. COMMITMENTS AND CONTINGENCIES**

There are no contingent assets or liabilities at 31 December 2015 other than as disclosed in this report.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2015

**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 2015. 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 2015 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**Changes in accounting policy and disclosers**

The Group has adopted the following new or amended standards which became applicable on 1 July 2015:

- AASB 2015-3 – Amendments to Australian Accounting Standards arising from the Withdrawal of AASB1031 *Materiality*
- AASB 2015-4 – Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent

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

**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 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' 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 2015 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 2016



Frank Wolf  
Managing Director



Ernst & Young  
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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 2015, 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 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 the 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 2015 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 of the company a written Auditor's Independence Declaration, a copy of which follows the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Abacus 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 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Kathy Parsons  
Partner  
Sydney  
18 February 2016