

# 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 2016

### Results for announcement to the market

(corresponding period half year ended 31 December 2015)

Total revenues and other income	up	47%	to	\$292.03m
Net profit after income tax expense attributable to members of the Group	up	2.54 times	to	\$191.7m
Underlying profit <sup>(1)</sup>	up	22%	to	\$69.5m

- (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 2016 \$'000	31 Dec 2015 \$'000
<b>Consolidated statutory net profit after tax attributable to members of the Group</b>	<b>191,716</b>	<b>75,513</b>
less: consolidated profits relating to managed funds (these profits are excluded as the profits of the managed funds cannot and do not form part of the assessable and distributable income of Abacus)	(30,301)	(4,590)
<b>Net profit attributable to ABP securityholders</b>	<b>161,415</b>	<b>70,923</b>
<b>Certain significant items:</b>		
Net change in fair value of investment properties held at balance date	(60,966)	(36,840)
Net gain in fair value of investments and financial instruments held at balance date	(15,319)	4,257
Net gain in fair value of derivatives	(3,093)	2,079
Net change in fair value of property, plant and equipment and investment properties included in equity accounted investments	(15,903)	(11,769)
Impairment of land development	-	40,622
Tax expense / (benefit) on significant items	3,359	(12,186)
<b>Underlying profit attributable to ABP securityholders</b>	<b>69,493</b>	<b>57,086</b>
Basic earnings per security (cents)	33.76	13.64
Basic underlying earnings per security <sup>^</sup> (cents)	12.24	10.31
Distribution per security (cents - including proposed distribution)	8.75	8.50
Weighted average securities on issue (million)	567.9	553.7
<sup>^</sup> Abacus		

Distributions	per stapled security
December 2016 half	8.75 cents
This distribution was declared on 12 January 2017 and will be paid on or about 28 February 2017	
Record date for determining entitlement to the distributions	18 January 2017

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 2016.

Details of individual and total distribution payments to securityholders	per stapled security	Total	
Final June 2016 distribution	paid 31 August 2016	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 2016	30 June 2016
Net tangible assets per security <sup>(2)</sup>	\$2.94	\$2.66

(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 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	%	%	\$'000	\$'000
29 Browns Road Pty Ltd	50	50	(65)	3,167
Abacus Crafted 2 Unit Trust	50	50	9,681	163
Australian Aggregation Head Trust	25	25	4,933	3,308
Fordtrans Pty Ltd (Virginia Park)	50	50	(3,173)	5,620
Oasis JV Unit Trust	40	40	1,246	4,727
St Leonards JV Unit Trust	50	50	671	2,535
WTC JV Unit Trust	25	25	19,590	1,188
Other	25 - 50	25 - 50	(2,378)	672
			<b>30,505</b>	<b>21,380</b>

The equity accounted profits/losses includes a fair value increment of \$15.9 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](http://www.abacusproperty.com.au).

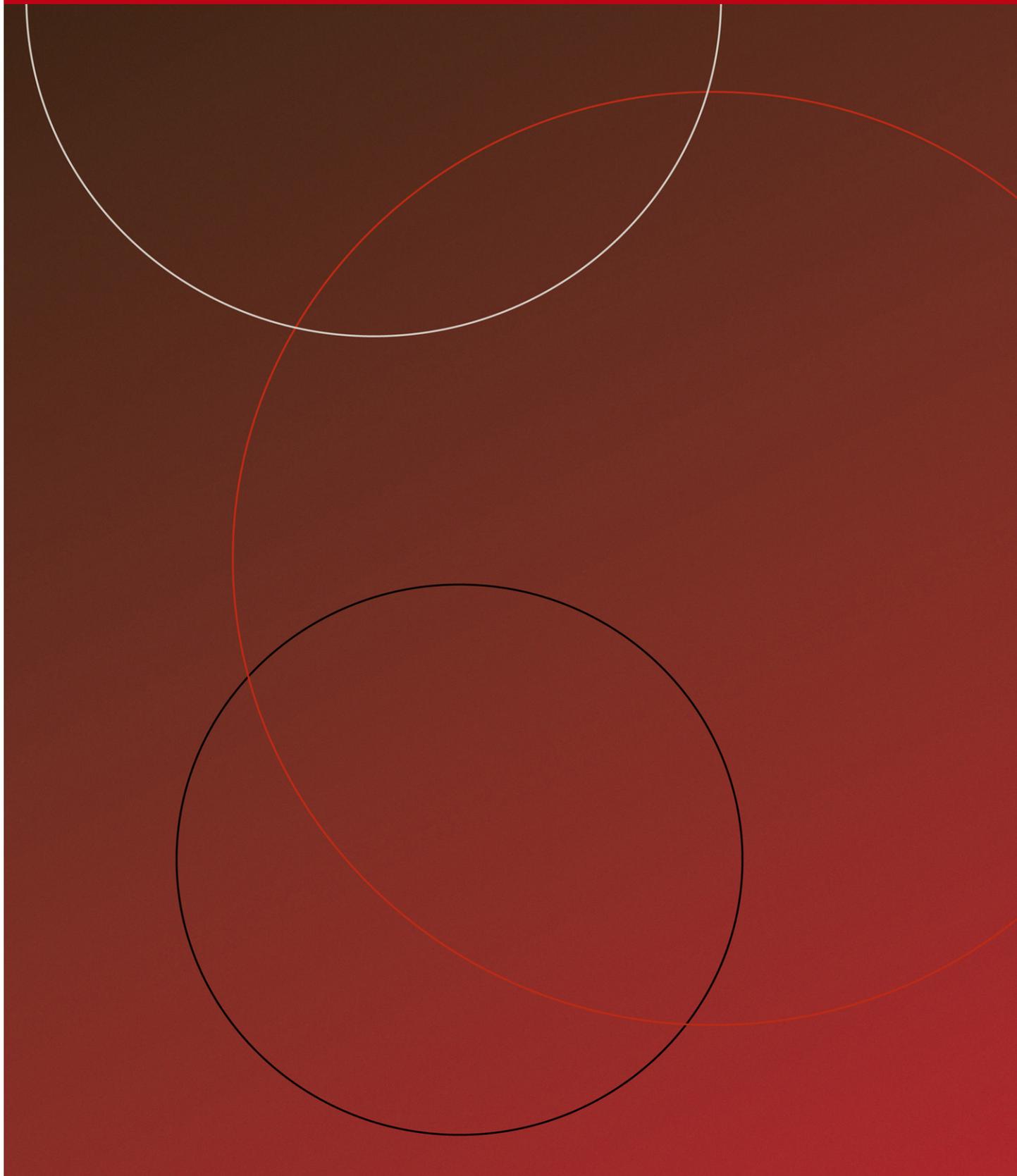
Securityholders wishing to participate in the DRP may lodge their election notice at any time. The record date for determining entitlements to each distribution is also the record date for participation in the DRP for that distribution.

Abacus Property Group  
ABN 31 080 604 619



Financial Report

For the half-year ended 31 December 2016



# HALF-YEAR FINANCIAL REPORT

31 December 2016

## 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)

### Share Registry:

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

### Custodian:

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

### Auditor (Financial and Compliance Plan):

Ernst & Young  
200 George Street  
SYDNEY NSW 2000

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It is recommended that this Half-Year Financial Report should be read in conjunction with the Half-Year Financial Report of Abacus Trust, Abacus Group Projects Limited, Abacus Income Trust, Abacus Storage Property Trust and Abacus Storage Operations Limited as at 31 December 2016 and Abacus Property Group's 30 June 2016 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 2016

The Directors present their report for the period ended 31 December 2016.

### 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 \$1.7 billion at 31 December 2016.

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 2016 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 2016 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 2016

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 \$191.7 million for the half-year ended 31 December 2016 (December 2015: \$75.5 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 \$69.5 million (December 2015: \$57.1 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 2016	31 Dec 2015
	\$'000	\$'000
<b>Consolidated statutory net profit after tax attributable to members of the Group</b>	<b>191,716</b>	<b>75,513</b>
less: Consolidated profits relating to the managed funds (these profits are excluded as the profits of the managed funds cannot and do not form part of the assessable and distributable income of Abacus)	(30,301)	(4,590)
<b>Net profit attributable to Abacus securityholders</b>	<b>161,415</b>	<b>70,923</b>
<b>Certain significant items:</b>		
Net change in fair value of investment properties held at balance date	(60,966)	(36,840)
Net change in fair value of investments and financial instruments held at balance date	(15,319)	4,257
Net change in fair value of derivatives	(3,093)	2,079
Net change in fair value of property, plant and equipment and investment properties included in equity accounted investments	(15,903)	(11,769)
Impairment of land development	-	40,622
Net tax expense / (benefit) on significant items	3,359	(12,186)
<b>Underlying profit attributable to Abacus securityholders</b>	<b>69,493</b>	<b>57,086</b>
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
Basic earnings per security (cents)	33.76	13.64
Basic underlying earnings per security^ (cents)	12.24	10.31
Distribution per security^ (cents - including proposed distribution)	8.75	8.50
Weighted average securities on issue (million)	567.9	553.7

^Abacus

**DIRECTORS' REPORT****31 December 2016****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 purchased the following properties during the period: 324 Queen Street, Brisbane for \$132 million (50% interest), 444 Queen Street, Brisbane for \$25 million (67% interest) and four storage facilities in suburban Sydney and Canberra.

The Abacus investment portfolio was revalued at 31 December 2016 which resulted in a gain of \$61.0 million or a 4.3% increase on prior book values. In addition, there was a \$15.9 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 14 basis points from 7.47% to 7.33%. The investment portfolio is now valued at over \$1.48 billion including \$875 million of commercial properties across 34 assets and \$609 million of storage facilities across 66 assets.

**CHANGES IN THE STATE OF AFFAIRS**

The contributed equity of the Group increased \$48.1 million to \$1,572.0 million compared to \$1,523.9 million as at 30 June 2016 due to equity raisings and securityholder participation in the distribution reinvestment plan.

Total equity increased by \$191.1 million to \$1,750.4 million at 31 December 2016 compared to \$1,559.3 million at 30 June 2016.

**DISTRIBUTIONS**

An interim distribution of 8.75 cents per Abacus stapled security was declared on 12 January 2017 which will be paid on 28 February 2017. 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 Corporations Instrument 2016/191. The Group is an entity to which the instrument applies.

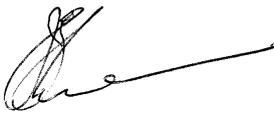
## DIRECTORS' REPORT

31 December 2016

### 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, 17 February 2017



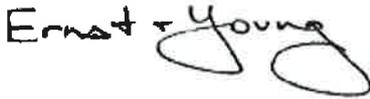
Frank Wolf  
Managing Director

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

As lead auditor for the review of Abacus Group Holdings Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Ernst & Young



Kathy Parsons  
Partner  
17 February 2017

## CONSOLIDATED INCOME STATEMENT

### HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	31 Dec 2016 \$'000	31 Dec 2015 \$'000
<b>REVENUE</b>			
Rental income		41,967	41,988
Storage income		34,382	29,976
Hotel income		19,968	25,552
Finance income		19,045	29,855
Funds management income		2,971	2,109
Sale of inventory		10,146	9,671
Fee income		2,827	243
<b>Total Revenue</b>		<b>131,306</b>	<b>139,394</b>
<b>OTHER INCOME</b>			
Net change in fair value of investment properties derecognised		12,613	1,073
Net change in fair value of financial instruments derecognised		4,957	491
Net profit on sale of property, plant and equipment		11,817	(92)
Net change in fair value of investment properties and property, plant & equipment held at balance date		80,299	41,543
Net change in fair value of investments held at balance date		15,567	(4,192)
Net change in fair value of derivatives		3,408	(782)
Share of profit from equity accounted investments	5(a)	30,505	21,380
Other income		1,555	-
<b>Total Revenue and Other Income</b>		<b>292,027</b>	<b>198,815</b>
Property expenses and outgoings		(7,963)	(8,870)
Storage expenses		(12,586)	(11,284)
Hotel expenses		(14,464)	(19,105)
Depreciation and amortisation expense		(1,265)	(3,036)
Cost of inventory sales		(8,146)	(9,600)
Impairment charges		-	(40,622)
Finance costs		(19,144)	(19,175)
Administrative and other expenses		(13,875)	(13,986)
<b>PROFIT BEFORE TAX</b>		<b>214,584</b>	<b>73,137</b>
Income tax benefit / (expense)		(16,356)	4,122
<b>NET PROFIT AFTER TAX</b>		<b>198,228</b>	<b>77,259</b>
<b>PROFIT ATTRIBUTABLE TO:</b>			
Equity holders of the parent entity (AGHL)		59,521	(2,732)
<i>Equity holders of other stapled entities</i>			
AT members		100,476	55,338
AGPL members		4,115	4,334
AIT members		2,152	3,436
ASPT members		6,145	(1,643)
ASOL members		19,307	16,780
<b>Stapled security holders</b>		<b>191,716</b>	<b>75,513</b>
Net profit attributable to external non-controlling interests		6,512	1,746
<b>NET PROFIT</b>		<b>198,228</b>	<b>77,259</b>
<b>Basic and diluted earnings per stapled security (cents)</b>	1	33.76	13.64

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

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
<b>NET PROFIT AFTER TAX</b>	198,228	77,259
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that will not be reclassified subsequently to the income statement</i>		
Revaluation of assets, net of tax	(1,717)	8,532
<i>Items that may be reclassified subsequently to the income statement</i>		
Foreign exchange translation adjustments, net of tax	452	1,953
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>196,963</b>	<b>87,744</b>
<b>Total comprehensive income attributable to:</b>		
Members of the APG Group	191,134	82,608
External non-controlling interests	5,829	5,136
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>196,963</b>	<b>87,744</b>
<b>Total comprehensive income / (loss) attributable to members of the Group analysed by amounts attributable to:</b>		
AGHL members	58,487	2,410
AT members	100,476	55,338
AGPL members	4,115	4,334
AIT members	2,152	3,436
ASPT members	6,553	211
ASOL members	19,351	16,879
<b>TOTAL COMPREHENSIVE INCOME AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE GROUP</b>	<b>191,134</b>	<b>82,608</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Notes	31 Dec 2016 \$'000	30 Jun 2016 \$'000
<b>CURRENT ASSETS</b>			
Investment properties held for sale	2	96,179	186,550
Inventory	3(a)	6,042	9,845
Property loans	4(a)	55,093	93,685
Cash and cash equivalents		57,342	43,792
Property, plant and equipment	10	67,610	130,000
Trade and other receivables		11,022	8,851
Derivatives at fair value		1,349	-
Other		3,092	5,138
<b>TOTAL CURRENT ASSETS</b>		<b>297,729</b>	<b>477,861</b>
<b>NON-CURRENT ASSETS</b>			
Investment properties	2	1,516,236	1,335,069
Inventory	3(b)	76,609	68,633
Property loans	4(b)	284,655	291,577
Equity accounted investments	5	204,885	179,935
Deferred tax assets		256	10,809
Property, plant and equipment	10	4,783	4,676
Other financial assets	4(c)	73,608	49,269
Derivatives at fair value		1,392	3,878
Intangible assets and goodwill		32,461	32,461
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,194,885</b>	<b>1,976,307</b>
<b>TOTAL ASSETS</b>		<b>2,492,614</b>	<b>2,454,168</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		26,816	26,167
Interest-bearing loans and borrowings	6(a)	46,646	124,745
Derivatives at fair value		10,067	2,650
Income tax payable		206	507
Other financial liabilities		45,669	45,934
Other		5,554	8,476
<b>TOTAL CURRENT LIABILITIES</b>		<b>134,958</b>	<b>208,479</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	6(b)	573,856	631,323
Derivatives at fair value		18,962	41,469
Deferred tax liabilities		9,998	9,535
Other		4,487	4,085
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>607,303</b>	<b>686,412</b>
<b>TOTAL LIABILITIES</b>		<b>742,261</b>	<b>894,891</b>
<b>NET ASSETS</b>		<b>1,750,353</b>	<b>1,559,277</b>
<b>TOTAL EQUITY</b>		<b>1,750,353</b>	<b>1,559,277</b>

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

AS AT 31 DECEMBER 2016

	Notes	31 Dec 2016 \$'000	30 Jun 2016 \$'000
<b>Equity attributable to members of AGHL:</b>			
Contributed equity		342,175	332,074
Reserves		9,676	12,793
Retained earnings		66,415	6,894
<b>Total equity attributable to members of AGHL:</b>		<b>418,266</b>	<b>351,761</b>
<b>Equity attributable to unitholders of AT:</b>			
Contributed equity		931,018	905,159
Accumulated losses		(29,967)	(104,318)
<b>Total equity attributable to unitholders of AT:</b>		<b>901,051</b>	<b>800,841</b>
<b>Equity attributable to members of AGPL:</b>			
Contributed equity		26,947	25,867
Retained earnings		15,556	11,441
<b>Total equity attributable to members of AGPL:</b>		<b>42,503</b>	<b>37,308</b>
<b>Equity attributable to unitholders of AIT:</b>			
Contributed equity		129,996	126,451
Accumulated losses		(81,539)	(69,309)
<b>Total equity attributable to unitholders of AIT:</b>		<b>48,457</b>	<b>57,142</b>
<b>Equity attributable to members of ASPT:</b>			
Contributed equity		121,441	115,441
Reserves		2,638	2,230
Accumulated losses		(8,942)	(8,285)
<b>Total equity attributable to members of ASPT:</b>		<b>115,137</b>	<b>109,386</b>
<b>Equity attributable to members of ASOL:</b>			
Contributed equity		20,373	18,886
Reserves		178	135
Retained earnings		159,830	140,523
<b>Total equity attributable to members of ASOL:</b>		<b>180,381</b>	<b>159,544</b>
<b>Equity attributable to external non-controlling interest:</b>			
Contributed equity		69,481	72,822
Reserves		2,960	3,642
Accumulated losses		(27,883)	(33,169)
<b>Total equity attributable to external non-controlling interest:</b>		<b>44,558</b>	<b>43,295</b>
<b>TOTAL EQUITY</b>		<b>1,750,353</b>	<b>1,559,277</b>
Contributed equity	8	1,571,950	1,523,878
Reserves		12,492	15,158
Retained earnings / accumulated losses		121,353	(23,054)
Total stapled security holders' interest in equity		1,705,795	1,515,982
Total external non-controlling interest		44,558	43,295
<b>TOTAL EQUITY</b>		<b>1,750,353</b>	<b>1,559,277</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

### HALF-YEAR ENDED 31 DECEMBER 2016

	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income receipts	148,551	137,807
Interest received	637	836
Distributions received	209	207
Income tax paid	(3,644)	(5,324)
Finance costs paid	(16,830)	(17,350)
Operating payments	(59,463)	(64,197)
Payments for land acquisitions	(11,311)	(7,474)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>58,149</b>	<b>44,505</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for investments and funds advanced	(36,612)	(105,324)
Proceeds from sale and settlement of investments and funds repaid	68,171	22,420
Purchase of property, plant and equipment	(708)	(1,687)
Disposal of property, plant and equipment	72,755	3,768
Purchase of investment properties	(129,594)	(119,770)
Disposal of investment properties	133,370	33,203
Payment for other investments	(924)	(3,611)
<b>NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>	<b>106,458</b>	<b>(171,001)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of units	17,550	7,498
Return of capital	(3,542)	(234)
Payment of issue costs	(556)	(3,259)
Repayment of borrowings	(150,040)	(19,131)
Proceeds from borrowings	5,521	184,032
Distributions paid	(19,988)	(48,055)
<b>NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>	<b>(151,055)</b>	<b>120,851</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>13,552</b>	<b>(5,645)</b>
Net foreign exchange differences	(2)	85
Cash and cash equivalents at beginning of period	43,792	38,387
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>57,342</b>	<b>32,827</b>

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

	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 2016</b>	1,523,878	5,521	2,364	7,273	(23,054)	43,295	1,559,277
Other comprehensive income	-	(1,034)	452	-	-	(682)	(1,264)
Net income for the period	-	-	-	-	191,716	6,512	198,228
<b>Total comprehensive income for the period</b>	-	(1,034)	452	-	191,716	5,830	196,964
Equity raisings	17,347	-	-	-	-	202	17,549
Return of capital	-	-	-	-	-	(3,542)	(3,542)
Issue costs	(352)	-	-	-	-	-	(352)
Distribution reinvestment plan	31,077	-	-	-	-	-	31,077
Security acquisition rights	-	-	-	(2,084)	-	-	(2,084)
Distribution to security holders	-	-	-	-	(47,309)	(1,227)	(48,536)
<b>At 31 December 2016</b>	<b>1,571,950</b>	<b>4,487</b>	<b>2,816</b>	<b>5,189</b>	<b>121,353</b>	<b>44,558</b>	<b>1,750,353</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 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>

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31 DECEMBER 2016

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	3. Inventory	7. Financial instruments	11. Commitments and contingencies
	4. Property loans and other financial assets	8. Contributed equity	12. Summary of significant accounting policies
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## **NOTES TO THE FINANCIAL STATEMENTS – About this Report**

**31 DECEMBER 2016**

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 2016 was authorised for issue in accordance with a resolution of the directors on 17 February 2017.

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

**NOTES TO THE FINANCIAL STATEMENTS – About this Report (continued)**

31 DECEMBER 2016

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.

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**

31 DECEMBER 2016

	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 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Revenue</b>										
Rental income	35,718	-	-	-	35,718	-	6,242	7	-	41,967
Storage income	-	-	-	34,382	34,382	-	-	-	-	34,382
Hotel income	-	-	-	-	-	19,968	-	-	-	19,968
Finance income	-	-	18,771	-	18,771	-	-	-	-	18,771
Funds management income	-	6,696	-	-	6,696	-	-	-	(3,725)	2,971
Sale of inventory	-	-	-	-	-	-	-	10,146	-	10,146
Fee income	1,849	-	978	-	2,827	-	-	-	-	2,827
Net change in fair value of investment properties derecognised	10,875	-	-	-	10,875	-	1,738	-	-	12,613
Net change in fair value of financial instruments derecognised	4,710	-	-	-	4,710	120	127	-	-	4,957
Net profit on sale of property, plant & equipment	-	-	-	-	-	11,817	-	-	-	11,817
Net change in fair value of investment properties held at balance date	48,595	-	-	12,371	60,966	-	19,333	-	-	80,299
Net change in fair value of investments held at balance date	(794)	-	16,574	(461)	15,319	(17)	-	-	265	15,567
Share of profit from equity accounted investments ^	23,542	212	6,963	-	30,717	-	-	-	(212)	30,505
Other income	730	-	-	-	730	-	825	-	-	1,555
Other unallocated revenue	-	-	-	-	3,287	209	178	8	-	3,682
<b>Total consolidated revenue</b>	<b>125,225</b>	<b>6,908</b>	<b>43,286</b>	<b>46,292</b>	<b>224,998</b>	<b>32,097</b>	<b>28,443</b>	<b>10,161</b>	<b>(3,672)</b>	<b>292,027</b>
Property expenses and outgoings	(6,498)	-	-	-	(6,498)	(48)	(1,480)	(142)	205	(7,963)
Storage expenses	-	-	-	(12,586)	(12,586)	-	-	-	-	(12,586)
Hotel expenses	-	-	-	-	-	(14,464)	-	-	-	(14,464)
Depreciation and amortisation expense	(921)	-	-	(195)	(1,116)	-	(148)	(1)	-	(1,265)
Cost of inventory sales	-	-	-	-	-	-	-	(10,146)	2,000	(8,146)
Administrative and other expenses	(5,035)	(1,119)	(2,238)	(2,797)	(11,189)	(562)	(243)	(39)	(1,842)	(13,875)
<b>Segment result</b>	<b>112,771</b>	<b>5,789</b>	<b>41,048</b>	<b>30,714</b>	<b>193,609</b>	<b>17,023</b>	<b>26,572</b>	<b>(167)</b>	<b>(3,309)</b>	<b>233,728</b>

^ includes fair value gain of \$15.9 million

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

31 DECEMBER 2016

	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 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Finance costs					(16,908)	(2,340)	(2,423)	-	2,527	(19,144)
Profit before tax					176,701	14,683	24,149	(167)	(782)	214,584
Income tax expense					(14,367)	(1,989)	-	-	-	(16,356)
<b>Net profit for the period</b>					<b>162,334</b>	<b>12,694</b>	<b>24,149</b>	<b>(167)</b>	<b>(782)</b>	<b>198,228</b>
less non-controlling interest					(919)	(5,593)	-	-	-	(6,512)
<b>Net profit for the period attributable to members of the Group</b>					<b>161,415</b>	<b>7,101</b>	<b>24,149</b>	<b>(167)</b>	<b>(782)</b>	<b>191,716</b>

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

31 DECEMBER 2016

	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	\$'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
Fee income	-	-	243	-	243	-	-	-	-	243
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	3,287	-	21,588	-	-	-	(208)	21,380
Other income	-	-	-	-	-	-	-	-	-	-
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 2016

	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 2016

	Core Segments					Non Core Segments					Consolidated \$'000
	Property \$'000	Storage \$'000	Funds Management \$'000	Property Ventures \$'000	Unallocated \$'000	Total \$'000	AHF \$'000	ADIFII \$'000	AWLF \$'000	Eliminations \$'000	
<b>As at 31 Dec 2016</b>											
Current assets	64,179	-	136,422	55,093	37,420	293,114	98,974	35,471	9,667	(139,497)	297,729
Non-current assets											
Investment properties	810,963	609,173	-	-	-	1,420,136	-	96,100	-	-	1,516,236
Inventory	-	-	-	72,906	-	72,906	-	-	4,754	(1,051)	76,609
Property, plant & equipment	562	4,207	-	-	-	4,769	-	-	14	-	4,783
Property loans	-	-	33,560	284,655	-	318,215	-	-	-	(33,560)	284,655
Other	198,731	-	-	79,763	35,007	313,501	-	-	-	(899)	312,602
<b>Total assets</b>	<b>1,074,435</b>	<b>613,380</b>	<b>169,982</b>	<b>492,417</b>	<b>72,427</b>	<b>2,422,641</b>	<b>98,974</b>	<b>131,571</b>	<b>14,435</b>	<b>(175,007)</b>	<b>2,492,614</b>
Current liabilities	8,829	5,025	47,631	4,653	10,293	76,431	103,189	81,581	737	(126,980)	134,958
Non-current liabilities	699	388	155	311	604,843	606,396	-	-	15,546	(14,639)	607,303
<b>Total liabilities</b>	<b>9,528</b>	<b>5,413</b>	<b>47,786</b>	<b>4,964</b>	<b>615,136</b>	<b>682,827</b>	<b>103,189</b>	<b>81,581</b>	<b>16,283</b>	<b>(141,619)</b>	<b>742,261</b>
<b>Net assets</b>	<b>1,064,907</b>	<b>607,967</b>	<b>122,196</b>	<b>487,453</b>	<b>(542,709)</b>	<b>1,739,814</b>	<b>(4,215)</b>	<b>49,990</b>	<b>(1,848)</b>	<b>(33,388)</b>	<b>1,750,353</b>
Total facilities - bank loans						873,000	-	25,000	-		898,000
Facilities used at reporting date - bank loans						(571,321)	-	(21,220)	-		(592,541)
<b>Facilities unused at reporting date - bank loans</b>						<b>301,679</b>	<b>-</b>	<b>3,780</b>	<b>-</b>		<b>305,459</b>

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

31 DECEMBER 2016

	Core Segments					Non Core Segments					Consolidated \$'000
	Property \$'000	Storage \$'000	Funds Management \$'000	Property Ventures \$'000	Unallocated \$'000	Total \$'000	AHF \$'000	ADIFII \$'000	AWLF \$'000	Eliminations \$'000	
<b>As at 30 Jun 2016</b>											
Current assets	64,056	-	108,736	78,676	44,057	295,525	140,751	139,362	15,344	(113,121)	477,861
Non-current assets											
Investment properties	764,725	570,344	-	-	-	1,335,069	-	-	-	-	1,335,069
Inventory	-	-	-	64,806	-	64,806	-	-	4,712	(885)	68,633
Property, plant & equipment	612	4,051	-	-	-	4,663	-	-	13	-	4,676
Property loans	-	-	37,248	291,578	-	328,826	-	-	-	(37,248)	291,578
Other	164,675	-	-	64,530	44,169	273,374	-	-	-	(901)	272,473
<b>Total assets</b>	<b>994,068</b>	<b>574,395</b>	<b>145,984</b>	<b>499,590</b>	<b>88,226</b>	<b>2,302,263</b>	<b>140,751</b>	<b>139,362</b>	<b>20,069</b>	<b>(152,155)</b>	<b>2,450,290</b>
Current liabilities	9,328	5,489	48,008	4,580	792	68,197	155,329	92,790	684	(108,521)	208,479
Non-current liabilities	710	395	158	316	679,970	681,549	-	-	21,064	(20,079)	682,534
<b>Total liabilities</b>	<b>10,038</b>	<b>5,884</b>	<b>48,166</b>	<b>4,896</b>	<b>680,762</b>	<b>749,746</b>	<b>155,329</b>	<b>92,790</b>	<b>21,748</b>	<b>(128,600)</b>	<b>891,013</b>
<b>Net assets</b>	<b>984,030</b>	<b>568,511</b>	<b>97,818</b>	<b>494,694</b>	<b>(592,536)</b>	<b>1,552,517</b>	<b>(14,578)</b>	<b>46,572</b>	<b>(1,679)</b>	<b>(23,555)</b>	<b>1,559,277</b>
Total facilities - bank loans						873,000	55,000	55,000	-		983,000
Facilities used at reporting date - bank loans						(629,406)	(49,733)	(50,220)	-		(729,359)
<b>Facilities unused at reporting date - bank loans</b>						<b>243,594</b>	<b>5,267</b>	<b>4,780</b>	<b>-</b>		<b>253,641</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

### 1. EARNINGS PER STAPLED SECURITY

	31 Dec 2016	31 Dec 2015
Basic and diluted earnings per stapled security (cents)	33.76	13.64
<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>191,716</b>	<b>75,513</b>
<b>Weighted average number of shares:</b>		
Weighted average number of stapled securities for basic earning per security ('000)	567,932	553,682

### 2. INVESTMENT PROPERTIES

	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Leasehold investment properties <sup>1</sup>	13,593	11,092
Freehold investment properties	1,598,822	1,510,527
<b>Total investment properties</b>	<b>1,612,415</b>	<b>1,521,619</b>

1. The carrying amount of the leasehold property is presented gross of the finance liability of \$2.3 million.

#### 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 7:

	Held for sale		Non-current	
	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
	\$'000	\$'000	\$'000	\$'000
<b>Leasehold investment properties</b>				
Carrying amount at beginning of the financial period	11,092	11,119		
Additions and capital expenditure	-	14		
Net change in fair value as at balance date	2,501	(41)		
<b>Carrying amount at end of the period</b>	<b>13,593</b>	<b>11,092</b>		
	Held for sale		Non-current	
	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
	\$'000	\$'000	\$'000	\$'000
<b>Freehold investment properties</b>				
Carrying amount at beginning of the financial period	186,550	51,047	1,323,977	1,305,982
Additions and capital expenditure	1,235	21	127,446	175,504
Net change in fair value of assets held at balance date	32,402	777	45,096	77,927
Net change in fair value of assets sold during the period	12,545	1,901	-	3,200
Disposals	(131,481)	(52,446)	-	(60,968)
Effect of movements in foreign exchange	-	-	1,052	7,582
Properties transferred to / from held for sale	(5,072)	185,250	5,072	(185,250)
<b>Carrying amount at end of the period</b>	<b>96,179</b>	<b>186,550</b>	<b>1,502,643</b>	<b>1,323,977</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

### 2. 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.

#### *Sensitivity Information*

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

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

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

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

External valuations are conducted by qualified independent valuers who are appointed by the Managing Director of Abacus Property Services Pty Ltd who is also responsible for the Group's internal valuation process. He 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 6.

#### **Abacus\***

The weighted average capitalisation rate for Abacus is 7.33% (30 June 2016: 7.47%) and for each significant category above is as follows;

- Retail – 6.54% (30 June 2016: 6.69%)
- Office – 6.89% (30 June 2016: 7.21%)
- Industrial – 8.18% (30 June 2016: 8.39%)
- Storage – 7.93% (30 June 2016: 7.98%)

The current occupancy rate for the principal portfolio excluding development and self-storage assets is 90.4% (30 June 2016: 91.2%). The current occupancy rate for self-storage assets is 87.2% (30 June 2016: 85.9%).

During the half-year ended 31 December 2016, 17% (30 June 2016: 57%) of the number of investment properties in the portfolio were subject to external valuations, the remaining 83% (30 June 2016: 43%) 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 2016

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

The weighted average capitalisation rate for the Fund is 7.43% (30 June 2016: 7.90%).

The current occupancy rate for the portfolio is 88.6% (30 June 2016: 84.0%).

During the half-year ended 31 December 2016, 60% (30 June 2016: Nil) of the number of investment properties in the portfolio were subject to external valuations.

**3. INVENTORY**

	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
<b>(a) Current</b>		
Hotel supplies	224	352
Projects <sup>1</sup>		
- purchase consideration	440	1,477
- development costs	5,378	8,016
	<b>6,042</b>	<b>9,845</b>
<b>(b) Non-current</b>		
Projects <sup>1</sup>		
- purchase consideration	103,677	103,308
- development costs	17,354	11,747
- provision	(44,422)	(46,422)
	<b>76,609</b>	<b>68,633</b>
<b>Total inventory</b>	<b>82,651</b>	<b>78,478</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2016

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

	30 Dec 2016	30 Jun 2016
	\$'000	\$'000
<b>(a) Current property loans</b>		
Secured loans - amortised cost <sup>1</sup>	54,042	86,081
Interest receivable on secured loans - amortised cost	1,051	7,604
	<b>55,093</b>	<b>93,685</b>
<b>(b) Non-current property loans</b>		
Secured loans - amortised cost <sup>1</sup>	232,190	245,918
Interest receivable on secured loans - amortised cost	52,465	45,659
	<b>284,655</b>	<b>291,577</b>
<b>(c) Non-current other financial assets</b>		
Investment in securities and options - unlisted - fair value	28,409	22,774
Investments in debt instruments - unlisted - amortised cost <sup>2</sup>	22,488	22,488
Derivatives - fair value	22,711	4,007
	<b>73,608</b>	<b>49,269</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 2017 and the non-current facilities will mature between 1 January 2018 and 22 December 2020.
2. Abacus has a 50% investment in a joint venture St Leonards JV Unit Trust held via preference shares.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2016

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

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

	Fordtrans Pty Ltd		Other Joint Ventures		Total	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	4,943	15,028	103,354	66,906	108,297	81,934
Expenses	(11,289)	(2,994)	(21,451)	(29,238)	(32,740)	(32,232)
<b>Net profit</b>	<b>(6,346)</b>	<b>12,034</b>	<b>81,903</b>	<b>37,668</b>	<b>75,557</b>	<b>49,702</b>
<b>Share of net profit / (loss)</b>	<b>(3,173)</b>	<b>5,620</b>	<b>33,678</b>	<b>15,760</b>	<b>30,505</b>	<b>21,380</b>

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

	Fordtrans Pty Ltd		Other Joint Ventures		Total	
	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	18,080	2,971	38,413	26,728	56,493	29,699
Non-current assets	182,465	204,798	887,550	752,004	1,070,015	956,802
	200,545	207,769	925,963	778,732	1,126,508	986,501
Current liabilities	(663)	(786)	(20,289)	(16,283)	(20,952)	(17,069)
Non-current liabilities	(68,443)	(68,374)	(490,018)	(447,630)	(558,461)	(516,004)
<b>Net assets</b>	<b>131,439</b>	<b>138,609</b>	<b>415,656</b>	<b>314,819</b>	<b>547,095</b>	<b>453,428</b>
<b>Share of net assets</b>	<b>65,719</b>	<b>74,511</b>	<b>139,166</b>	<b>105,424</b>	<b>204,885</b>	<b>179,935</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2016

**6. INTEREST BEARING LOANS AND BORROWINGS**

	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
<b>Other</b>		
<b>Current</b>		
Bank loans - A\$	21,220	99,953
Loans from other parties	25,520	25,138
Less: Unamortised borrowing costs	(94)	(346)
<b>(a) Total current</b>	<b>46,646</b>	<b>124,745</b>

	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
<b>Abacus*</b>		
<b>Non-current</b>		
Bank loans - A\$	497,564	556,296
Bank loans - A\$ value of NZ\$ denominated loan	73,757	73,110
Other loans - A\$	4,292	4,292
Less: Unamortised borrowing costs	(1,757)	(2,375)
<b>(b) Total non-current</b>	<b>573,856</b>	<b>631,323</b>

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

	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
<b>(c) Maturity profile of current and non-current interest bearing loans</b>		
Due within one year	46,646	124,745
Due between one and five years	573,856	501,323
Due after five years	-	130,000
	<b>620,502</b>	<b>756,068</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2016

**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 July 2017 to July 2021. The bank loans are secured by charges over the investment properties, certain inventory and certain property, plant and equipment.

Approximately 59% (30 June 2016: 53%) of bank debt drawn was subject to fixed rate hedges with a weighted average term to maturity of 3.5 years (30 June 2016: 4.0 years). Hedge cover as a percentage of available facilities at 31 December 2016 is 38.3% (30 June 2016: 38.3%).

Abacus' weighted average interest rate as at 31 December 2016 was 5.25% (30 June 2016: 5.39%). Line fees on undrawn facilities contributed to 0.35% of the weighted average interest rate at 31 December 2016 (30 June 2016: 0.34%). Abacus' weighted average interest rate excluding the undrawn facilities line fees as at 31 December 2016 was 4.90% (30 June 2016: 5.05%).

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

**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 2016 approximately 47.1% (30 June 2016: 43.3%) of drawn bank debt facilities were subject to fixed rate hedges. The bank debt drawn at 31 December 2016 has a weighted average term to maturity of 0.5 years (30 June 2016: 1.0 years).

ADIF II's weighted average interest rate as at 31 December 2016 was 6.53% (30 June 2016: 6.75%).

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2016

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

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

	30 Dec 2016	30 Jun 2016
	\$'000	\$'000
<b>Current</b>		
<i>First mortgage</i>		
Property, plant and equipment	67,610	130,000
Investment properties held for sale	93,929	172,250
<b>Total current assets pledged as security</b>	<b>173,929</b>	<b>302,250</b>
<b>Non-current</b>		
<i>First mortgage</i>		
Investment properties	1,477,173	1,319,619
<b>Total non-current assets pledged as security</b>	<b>1,477,173</b>	<b>1,319,619</b>
<b>Total assets pledged as security</b>	<b>1,651,102</b>	<b>1,621,869</b>

**(e) Defaults and breaches**

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

### 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
Derivative	Level 3	Residual cash flow analysis	Project cash flow forecast Project payment priorities
Securities and options - unlisted	Level 3	Pricing models	Security price Underlying net asset Property valuations
Derivative financial instruments	Level 2	DCF (adjusted for counterparty credit worthiness)	Interest rates Consumer Price Index ("CPI") Volatility

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2016

**7. FINANCIAL INSTRUMENTS (continued)**

**(d) 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 2016.

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

	Derivative \$'000	Unlisted Securities / Options \$'000	Total \$'000
<b>Opening balance as at 30 June 2015</b>	1,000	31,075	32,075
Fair value movement through the income statement	411	(4,620)	(4,209)
Redemptions / conversions / disposals	-	-	-
<b>Closing balance as at 31 December 2015</b>	<b>1,411</b>	<b>26,455</b>	<b>27,866</b>

*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 \$10.0 million (30 June 2016: \$9.3 million) or increase the fair value by \$10.1 million (30 June 2016: \$9.3 million).

**8. CONTRIBUTED EQUITY**

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
<b>(a) Issued stapled securities</b>		
Stapled securities	1,613,939	1,565,515
Issue costs	(41,989)	(41,637)
<b>Total contributed equity</b>	<b>1,571,950</b>	<b>1,523,878</b>

	Stapled securities	
	Number '000	Value \$'000
<b>(b) Movement in stapled securities on issue</b>		
<b>At 30 June 2016</b>	556,577	1,523,878
- equity raisings	5,642	17,347
- distribution reinvestment plan	10,106	31,077
- less transaction costs	-	(352)
<b>Securities on issue at 31 December 2016</b>	<b>572,325</b>	<b>1,571,950</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2016

**9. DISTRIBUTIONS PAID AND PROPOSED**

	31 Dec 2016	31 Dec 2015
Abacus	\$'000	\$'000
<b>(a) Distributions paid during the period</b>		
June 2016 half: 8.50 cents per stapled security (2015: 8.50 cents)	47,309	47,012
<b>(b) Distributions proposed and not recognised as a liability<sup>^</sup></b>		
December 2016 half: 8.75 cents per stapled security (2015: 8.50 cents)	50,078	47,077

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 interim distribution of 8.75 cents per stapled security was declared on 12 January 2017. The distribution being paid on or around 28 February 2017 will be approximately \$50.1 million. No provision for the distribution has been recognised in the balance sheet at 31 December 2016 as the distribution had not been declared by the end of the period.

	31 Dec 2016	31 Dec 2015
Non-core funds	\$'000	\$'000
<b>(a) Distributions paid during the period</b>		
Abacus Hospitality Fund	613	490
Abacus Diversified Income Fund II	1,267	1,255
	<b>1,880</b>	<b>1,745</b>
<b>(b) Distributions proposed</b>		
Abacus Hospitality Fund	368	245
Abacus Diversified Income Fund II	1,265	1,255
	<b>1,633</b>	<b>1,500</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 10. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
<b>Property, plant and equipment held for sale</b>		
<b>Current</b>		
Hotel properties	67,610	130,000
<b>Total current property, plant and equipment held for sale</b>	<b>67,610</b>	<b>130,000</b>
<b>Non-current</b>		
Storage properties	4,207	4,051
Office equipment / furniture and fittings	576	625
<b>Total non-current property, plant and equipment</b>	<b>4,783</b>	<b>4,676</b>
<b>Total property, plant and equipment including held for sale</b>	<b>72,393</b>	<b>134,676</b>

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
<b>Land and buildings</b>		
At the beginning of the period, net of accumulated depreciation	121,411	107,480
Additions	53	630
Fair value movement through the income statement	-	8,513
Fair value movement through comprehensive income	-	8,812
Disposal	(61,964)	(3,106)
Depreciation charge for the period	-	(918)
<b>At the end of the period net of accumulated depreciation</b>	<b>59,500</b>	<b>121,411</b>
Gross value	68,811	137,106
Accumulated depreciation	(9,311)	(15,695)
<b>Net carrying amount at end of period</b>	<b>59,500</b>	<b>121,411</b>
<b>Plant and equipment</b>		
Gross value	31,215	42,526
Accumulated depreciation	(18,322)	(29,261)
<b>Net carrying amount at end of period</b>	<b>12,893</b>	<b>13,265</b>
<b>Total</b>	<b>72,393</b>	<b>134,676</b>

If property, plant and equipment was carried under the cost model, the carrying amount would be \$50.5m (30 June 2016: \$112.9m).

## Hotel Properties

- The weighted average capitalisation rate is 7.00% (30 June 2016: 7.83%)
- The current weighted average occupancy rate is 85% (30 June 2016: 77%)

## Storage Properties

- The weighted average capitalisation rate is 7.93% (30 June 2016: 7.98%)
- The current weighted average occupancy rate is 87% (30 June 2016: 86%)

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2016

**11. COMMITMENTS AND CONTINGENCIES**

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

**12. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The half-year financial report does not include all notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the Annual Financial Report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Abacus Property Group for the year ended 30 June 2016. 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 2016 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**Changes in accounting policy and disclosures**

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

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

- AASB 2014-3 – Accounting for Acquisitions of Interests in Joint Ventures
- AASB 2014-4 – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 1057 – Application of Accounting Standards
- AASB 2014-9 – Equity Method in Separate Financial Statements
- AASB 2015-1 – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 – Disclosure Initiative: Amendments for AASB 101 Presentation of Financial Statements
- AASB 2015-5 – Investments Entities: applying the consolidation exception
- AASB 2015-9 – Scope and Application Paragraphs (AASB 8, AASB 133 and AASB 1057)

The adoption of these amended standards has no material impact on the financial statements of the 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 financial period that has significantly affected, or may affect, the Group's operations in future financial years, the results of those operations or the Group's state of affairs in future financial years.

## DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including :
  - (i) giving a true and fair view of the financial position as at 31 December 2016 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, 17 February 2017



Frank Wolf  
Managing Director

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 2016, 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 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Abacus 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.

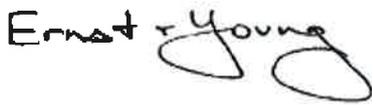
### Independence

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 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Kathy Parsons  
Partner  
Sydney  
17 February 2017