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 2018

Results for announcement to the market

(corresponding period half year ended 31 December 2018)

Total revenues and other income	up	8%	to	$219.8m
Net profit after income tax expense attributable to members of the Group	up	9%	to	$127.8m
Funds from operations ("FFO") [(1)]	down	18%	to	$65.3m

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

	31 Dec 2018 $'000	31 Dec 2017 $'000
Consolidated statutory net profit after tax attributable to members of the Group	**127,822**	**117,507**
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)	(855)	(511)
Net profit attributable to ABP securityholders	**126,967**	**116,996**
Certain significant items:		
Net change in fair value of investment properties held at balance date	(60,093)	(33,994)
Net gain in fair value of investments and financial instruments held at balance date	(64)	4,980
Net gain in fair value of derivatives	(383)	(1,544)
Net change in fair value of property, plant and equipment and investment properties included in equity accounted investments	752	(7,561)
Impairment charges	6,972	-
Tax expense / (benefit) on significant items	(2,137)	(1,543)
Underlying profit attributable to ABP securityholders	**72,014**	**77,334**
Adjust for:		
Net change in fair value of investment properties derecognised	(8,275)	28
Depreciation on owner occupied property, plant and equipment	360	331
Amortisation of rent abatement incentives	1,257	890
Amortisation of other tenant incentives	909	811
Straightline of rental income	(1,910)	-
Tax (benefit)/expense on Non-FFO Items	953	(108)
Funds from operations ("FFO")	**65,308**	**79,286**

Basic earnings per security (cents)	22.05	20.37
Basic underlying earnings per security^ (cents)	12.42	13.41
Basic FFO per security^ (cents)	11.27	13.74
Distribution per security (cents - including proposed distribution)	9.25	9.00
Weighted average securities on issue (million)	579.7	576.9
^Abacus		

Distributions	per stapled security
December 2018 half	9.25 cents
This distribution was declared on 19 December 2018 and will be paid on or about 28 February 2019	
Record date for determining entitlement to the distributions	31 December 2018

Refer to the attached announcement for a detailed discussion of the Abacus Property Group's results and the above figures for the half year ended 31 December 2018.

Details of individual and total distribution payments to securityholders		per stapled security	Total
Final June 2018 distribution	paid 31 August 2018	9.00 cents	$52.1m

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 2018	30 June 2018
Net tangible assets per security (2)	$3.29	$3.18

(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 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	%	%	$'000	$'000
Ablin Erskineville Property Trust	50	50	3,491	-
Fordtrans Pty Ltd (Virginia Park)	50	50	1,088	924
Merivale JV Unit Trust	49	49	2,483	(10)
Other	10-50	10-50	1,079	39,990
			8,141 *	**40,904**

*The equity accounted profits/losses includes a fair value loss of $0.8 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.

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 2018

HALF-YEAR FINANCIAL REPORT

31 December 2018

Directory

Abacus Group Holdings Limited
ABN: 31 080 604 619

Abacus Group Projects Limited
ABN: 11 104 066 104

Abacus Storage Operations Limited
ABN: 37 112 457 075

Abacus Funds Management Limited
ABN: 66 007 415 590

Abacus Storage Funds Management Limited
ABN: 41 109 324 834

Registered Office
Level 34, Australia Square
264-278 George Street
SYDNEY NSW 2000
Tel: (02) 9253 8600
Fax: (02) 9253 8616
Website: www.abacusproperty.com.au

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

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

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

CONTENTS

It is recommended that this Half-Year Financial Report should be read in conjunction with the Half-Year Financial Report of Abacus Trust, Abacus Group Projects Limited, Abacus Income Trust, Abacus Storage Property Trust and Abacus Storage Operations Limited as at 31 December 2018 and Abacus Property Group's 30 June 2018 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 2018

The Directors present their report for the period ended 31 December 2018.

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)
Steven Sewell	Managing Director
William Bartlett	Non-executive Director (retired on 15 November 2018)
Mark Haberlin	Non-executive Director (appointed on 15 November 2018)
Holly Kramer	Non-executive Director (appointed on 13 December 2018)
Jingmin Qian	Non-executive Director
Myra Salkinder	Non-executive Director
Peter Spira	Non-executive Director (retired on 15 November 2018)

STRUCTURE AND PRINCIPAL ACTIVITIES

Listed Structure / Entities

The listed Abacus Property Group is a diversified property group that operates predominantly in Australia. It comprises AGHL, AT, AGPL, AIT, ASPT and ASOL (collectively "Abacus") and its securities trade on the Australian Securities Exchange ("ASX") as ABP. Abacus was listed on the ASX in November 2002 and its market capitalisation was over $1.9 billion at 31 December 2018. Abacus is included in the S&P/ASX 200 A-REIT index (ASX:XPJ), a sub-index of the S&P/ASX 200 index that contains the listed vehicles classified as A-REITs.

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

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

Abacus Property Group Consolidation

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

AGHL has been identified as the parent entity of the Group. The financial reports of the Group for the half-year ended 31 December 2018 comprise the consolidated financial reports of AGHL and its controlled entities, AT and its controlled entities, AGPL and its controlled entities, AIT and its controlled entities, ASOL and its controlled entities, ASPT and its controlled entities, Abacus Hospitality Fund ("AHF") and its controlled entities and Abacus Wodonga Land Fund ("AWLF").

The principal activities of Abacus that contributed to its earnings during the course of the half-year ended 31 December 2018 included:

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

These activities are reported in the segment information note.

DIRECTORS' REPORT

31 December 2018

GROUP RESULTS SUMMARY

The Group earned a statutory net profit excluding external non-controlling interests of $127.8 million for the half-year ended 31 December 2018 (December 2017: $117.5 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' funds from operations ("FFO") of $65.3 million (December 2018: $79.3 million) and underlying profit of $72.0 million (December 2017: $77.3 million).

FFO and underlying profit are derived from the statutory profit and present the results of the ongoing business activities in a way that reflects our underlying performance. FFO and underlying profit are the basis on which distributions are determined.

FFO has been determined with reference to the Property Council of Australia's voluntary disclosure guidelines to help investors and analysts compare Australian real estate organisations. FFO is calculated by adding back tenant incentive amortisation, depreciation on owner occupied property, plant & equipment (PP&E), change in fair value of investment properties derecognised, capital costs, 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), and other non-recurring adjustments deemed significant on account of their nature and non-FFO tax benefit/expense. The consolidated profits / losses which belong to the securityholders of Abacus Hospitality Fund and Abacus Wodonga Land Fund are excluded as these profits cannot and do not form part of the distributable income of Abacus.

The underlying profit has been prepared in accordance with the AICD / Finsia reporting principles and includes change in fair value of investment properties derecognised.

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

	31 Dec 2018 $'000	31 Dec 2017 $'000
Consolidated statutory net profit after tax attributable to members of the Group	**127,822**	**117,507**
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)	(855)	(511)
Net profit attributable to Abacus securityholders	**126,967**	**116,996**
Certain significant items:		
Net change in fair value of investment properties and property, plant and equipment held at balance date	(60,093)	(33,994)
Net change in fair value of investments and financial instruments held at balance date	(64)	4,980
Net change in fair value of derivatives	(383)	(1,544)
Net change in fair value of property, plant and equipment and investment properties included in equity accounted investments	752	(7,561)
Impairment charges	6,972	-
Net tax expense / (benefit) on significant items	(2,137)	(1,543)
Underlying profit attributable to Abacus securityholders	**72,014**	**77,334**
Adjust for:		
Net change in fair value of investment properties derecognised	(8,275)	28
Depreciation on owner occupied property, plant and equipment	360	331
Amortisation of rent abatement incentives	1,257	890
Amortisation of other tenant incentives	909	811
Straightline of rental income	(1,910)	-
Tax (benefit)/expense on Non-FFO Items	953	(108)
Abacus funds from operations ("FFO")	**65,308**	**79,286**

DIRECTORS' REPORT
31 December 2018

GROUP RESULTS SUMMARY (continued)

	31 Dec 2018	31 Dec 2017
Basic earnings per security (cents)	22.05	20.37
Basic underlying earnings per security^ (cents)	12.42	13.41
Basic FFO per security^ (cents)	11.27	13.74
Distribution per security^ (cents)	9.25	9.00
Weighted average securities on issue (million)	579.7	576.9

^Abacus

Abacus continued to be a cautious acquirer of new properties. Abacus remains committed that all new acquisitions are backed by strong property fundamentals and present a sound value proposition. Abacus purchased the following properties during the period: 2 King Street, Fortitude Valley QLD for $85 million (50% interest) and four self storage facilities in Bellevue WA, Crestmead QLD, Lidcombe NSW and Southport QLD for $54 million.

The Abacus investment portfolio was revalued at 31 December 2018 which resulted in a gain of $60.1 million or a 3.2% increase on prior book values. The investment property portfolio's overall weighted average capitalisation rate tightened 15 basis points from 6.62% to 6.47%. The investment portfolio (including equity accounted properties) is now valued at over $2.20 billion including $1.36 billion of commercial properties across 34 assets and $835 million of storage facilities across 66 assets.

CHANGES IN THE STATE OF AFFAIRS

The contributed equity of the Group increased $1.6 million to $1,596.6 million compared to $1,595.0 million as at 30 June 2018 due to securityholder participation in the distribution reinvestment plan.

Total equity increased by $66.9 million to $1,983.6 million at 31 December 2018 compared to $1,916.7 million at 30 June 2018.

DISTRIBUTIONS

An interim distribution of 9.25 cents per Abacus stapled security was declared on 19 December 2018 which will be paid on 28 February 2019. 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.

AUDITOR'S INDEPENDENCE DECLARATION

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

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

John Thame
Chairman
Sydney, 15 February 2019

Steven Sewell
Managing Director

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

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

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 2018, 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

Ernst & Young

Kathy Parsons
Partner
15 February 2019

CONSOLIDATED INCOME STATEMENT
HALF-YEAR ENDED 31 DECEMBER 2018

	Notes	31 Dec 2018 $'000	31 Dec 2017 $'000
REVENUE			
Rental income		86,302	79,498
Hotel income		5,546	14,224
Finance income		25,208	25,446
Fee income		2,720	2,481
Sale of inventory		22,422	8,374
Total Revenue		**142,198**	**130,023**
OTHER INCOME			
Net change in fair value of investment properties and property, plant and equipment derecognised		7,879	(28)
Net change in fair value of investments and financial instruments derecognised		586	824
Net change in fair value of investment properties held at balance date		60,093	33,994
Net change in fair value of investments held at balance date		64	(4,980)
Net change in fair value of derivatives		383	1,544
Share of profit from equity accounted investments	5(a)	8,141	40,904
Other income		451	2,145
Total Revenue and Other Income		**219,795**	**204,426**
Property expenses and outgoings		(28,925)	(28,196)
Hotel expenses		(4,193)	(10,376)
Depreciation and amortisation expense		(1,272)	(2,434)
Cost of inventory sales		(13,545)	(5,860)
Impairment charges		(6,972)	-
Finance costs		(13,979)	(15,207)
Administrative and other expenses		(12,889)	(13,627)
PROFIT BEFORE TAX		**138,020**	**128,726**
Income tax expense		(10,349)	(10,322)
NET PROFIT AFTER TAX		**127,671**	**118,404**
PROFIT ATTRIBUTABLE TO:			
Equity holders of the parent entity (AGHL)		21,934	14,746
Equity holders of other stapled entities			
AT members		49,441	72,538
AGPL members		591	465
AIT members		3,612	(2,467)
ASPT members		27,380	10,851
ASOL members		24,864	21,374
Stapled security holders		**127,822**	**117,507**
Net profit attributable to external non-controlling interests		(151)	897
NET PROFIT		**127,671**	**118,404**
Basic and diluted earnings per stapled security (cents)	1	21.96	20.37

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
HALF-YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018 $'000	31 Dec 2017 $'000
NET PROFIT AFTER TAX	127,671	118,404
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to the income statement		
Revaluation of assets, net of tax	-	985
Items that may be reclassified subsequently to the income statement		
Foreign exchange translation adjustments, net of tax	2,254	(2,508)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**129,925**	**116,881**
Total comprehensive income attributable to:		
Members of the Group	130,076	115,592
External non-controlling interests	(151)	1,289
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**129,925**	**116,881**
Total comprehensive income / (loss) attributable to members of the Group analysed by amounts attributable to:		
AGHL members	21,934	15,339
AT members	49,441	72,538
AGPL members	591	465
AIT members	3,612	(2,467)
ASPT members	29,599	8,396
ASOL members	24,899	21,321
TOTAL COMPREHENSIVE INCOME AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE GROUP	**130,076**	**115,592**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	31 Dec 2018 $'000	30 Jun 2018 $'000
CURRENT ASSETS			
Investment properties held for sale	2	41,500	209,606
Inventory	3(a)	33,052	28,548
Property loans	4(a)	120,476	216,259
Cash and cash equivalents		169,524	103,256
Property, plant and equipment held for sale	10	-	88,500
Trade and other receivables		24,998	21,145
Other		3,553	3,413
TOTAL CURRENT ASSETS		**393,103**	**670,727**
NON-CURRENT ASSETS			
Investment properties	2	1,910,797	1,726,394
Inventory	3(b)	59,257	76,157
Property loans	4(b)	197,522	118,805
Equity accounted investments	5(b)	130,395	154,890
Other financial assets	4(c)	47,354	3,214
Deferred tax assets		14,077	8,236
Property, plant and equipment	10	5,341	4,800
Intangible assets and goodwill		32,394	32,394
TOTAL NON-CURRENT ASSETS		**2,397,137**	**2,124,890**
TOTAL ASSETS		**2,790,240**	**2,795,617**
CURRENT LIABILITIES			
Trade and other payables		70,750	88,568
Interest-bearing loans and borrowings	6(a)	22,532	38,765
Derivatives at fair value		-	61
Income tax payable		5,966	20,906
Other		3,223	8,108
TOTAL CURRENT LIABILITIES		**102,471**	**156,408**
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	6(b)	673,795	693,742
Derivatives at fair value		12,286	12,847
Deferred tax liabilities		14,321	12,218
Other		3,722	3,700
TOTAL NON-CURRENT LIABILITIES		**704,124**	**722,507**
TOTAL LIABILITIES		**806,595**	**878,915**
NET ASSETS		**1,983,645**	**1,916,702**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2018

	Notes	31 Dec 2018 $'000	30 Jun 2018 $'000
Equity attributable to members of AGHL:			
Contributed equity		348,688	348,331
Reserves		4,903	21,940
Retained earnings		156,894	127,033
Total equity attributable to members of AGHL:		**510,485**	**497,304**
Equity attributable to unitholders of AT:			
Contributed equity		943,537	942,690
Accumulated losses		(45,152)	(40,062)
Total equity attributable to unitholders of AT:		**898,385**	**902,628**
Equity attributable to members of AGPL:			
Contributed equity		27,449	27,413
Retained earnings		22,158	21,567
Total equity attributable to members of AGPL:		**49,607**	**48,980**
Equity attributable to unitholders of AIT:			
Contributed equity		131,395	131,300
Accumulated losses		(88,019)	(91,631)
Total equity attributable to unitholders of AIT:		**43,376**	**39,669**
Equity attributable to members of ASPT:			
Contributed equity		124,407	124,167
Reserves		2,388	170
Retained earnings		35,280	8,150
Total equity attributable to members of ASPT:		**162,075**	**132,487**
Equity attributable to members of ASOL:			
Contributed equity		21,157	21,087
Reserves		167	130
Retained earnings		252,644	227,780
Total equity attributable to members of ASOL:		**273,968**	**248,997**
Equity attributable to external non-controlling interest:			
Contributed equity		61,139	61,139
Reserves		-	11,854
Accumulated losses		(15,390)	(26,356)
Total equity attributable to external non-controlling interest:		**45,749**	**46,637**
TOTAL EQUITY		**1,983,645**	**1,916,702**
Contributed equity	8	1,596,633	1,594,988
Reserves		7,458	22,240
Retained earnings		333,805	252,837
Total stapled security holders' interest in equity		1,937,896	1,870,065
Total external non-controlling interest		45,749	46,637
TOTAL EQUITY		**1,983,645**	**1,916,702**

CONSOLIDATED STATEMENT OF CASH FLOW
HALF-YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018 $'000	31 Dec 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income receipts	125,363	177,066
Interest received	957	389
Distributions received	78	291
Income tax paid	(24,561)	(3,002)
Finance costs paid	(13,345)	(14,433)
Operating payments	(44,482)	(58,628)
Payments for land acquisitions	(6,729)	(30,656)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**37,281**	**71,027**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investments and funds advanced	(13,241)	(48,922)
Proceeds from sale and settlement of investments and funds repaid	53,994	79,222
Purchase of property, plant and equipment	(1,146)	(982)
Disposal of property, plant and equipment	82,201	-
Purchase of investment properties	(177,844)	(90,760)
Disposal of investment properties	230,417	675
Payment for other investments and financial assets	(56,679)	(1,056)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	**117,702**	**(61,823)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Return of capital	-	(42)
Payment of issue / finance costs	(591)	(596)
Repayment of borrowings	(111,332)	(4,378)
Proceeds from borrowings	74,873	57,294
Distributions paid	(51,697)	(45,415)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	**(88,747)**	**6,863**
NET INCREASE IN CASH AND CASH EQUIVALENTS	66,236	16,067
Net foreign exchange differences	32	(97)
Cash and cash equivalents at beginning of period	103,256	56,267
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**169,524**	**72,237**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
HALF-YEAR ENDED 31 DECEMBER 2018

	Attributable to the stapled security holder					External	
CONSOLIDATED	**Issued capital $'000**	**Asset revaluation reserve $'000**	**Foreign currency translation reserve $'000**	**Employee equity benefits $'000**	**Retained earnings $'000**	**Non-controlling interest $'000**	**Total Equity $'000**
At 1 July 2018	1,594,987	17,926	300	4,014	252,838	46,637	1,916,702
Impact of changes in accounting standards	-	-	-	-	(11,150)	-	(11,150)
Adjusted balance at 1 July 2018	1,594,987	17,926	300	4,014	241,688	46,637	1,905,552
Other comprehensive income	-	-	2,254	-	-	-	2,254
Net income for the period	-	-	-	-	127,822	(151)	127,671
Total comprehensive income for the period	-	-	2,254	-	127,822	(151)	129,925
Distribution reinvestment plan	1,646	-	-	-	-	-	1,646
Security acquisition rights	-	-	-	889	-	-	889
Distribution to security holders	-	-	-	-	(53,631)	(736)	(54,367)
Transfer of reserve (hotel disposal)	-	(17,926)	-	-	17,926	-	-
At 31 December 2018	**1,596,633**	**-**	**2,554**	**4,903**	**333,805**	**45,750**	**1,983,645**

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

The Group has adopted AASB 9 Financial Instruments. This resulted in a charge of $11.2 million to retained profits as at 1 July 2018, being the cumulative effect on initial application of the standard (refer to Note 12). The comparative results for the half-year ended 31 December 2017 are not restated as permitted by the standard.

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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 2018 was authorised for issue in accordance with a resolution of the directors on 15 February 2019.

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

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

(a) Property Investments: the segment is responsible for the investment in and ownership of commercial, retail, industrial properties and self storage facilities. This segment also includes the equity accounting of co-investments in property entities not engaged in development and construction projects; and

(b) Property Development: provides secured lending and related property financing solutions and is also responsible for the Group’s investment in joint venture developments and construction projects, which includes revenue from debt and equity investments in joint ventures.

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

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

NOTES TO THE FINANCIAL STATEMENTS – Segment Information
31 DECEMBER 2018

	Core Segments					Non Core Segments		
	Property Investments		Property		Total Core			
	Commercial	Storage	Developments	Unallocated	Segments	Other	Eliminations	Consolidated
Half-year ended 31 December 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue								
Rental income	49,382	36,918	-	-	**86,300**	2	-	**86,302**
Hotel income	-	-	-	-	**-**	5,546	-	**5,546**
Finance income	-	-	24,242	-	**24,242**	-	-	**24,242**
Fee income	6,108	-	-	-	**6,108**	-	(3,388)	**2,720**
Sale of inventory	-	-	15,750	-	**15,750**	6,672	-	**22,422**
Net change in fair value of investment properties and property, plant & equipment derecognised	8,292	(17)	-	-	**8,275**	(2,099)	1,703	**7,879**
Net change in fair value of investments and financial instruments derecognised	586	-	-	-	**586**	-	-	**586**
Net change in investment properties held at balance date	16,498	43,595	-	-	**60,093**	-	-	**60,093**
Net change in fair value of investments held at balance date	64	-	-	-	**64**	-	-	**64**
Share of profit from equity accounted investments ^	1,889	421	5,831	-	**8,141**	-	-	**8,141**
Other income	70	-	381	-	**451**	-	-	**451**
Other unallocated revenue	-	-	-	579	**579**	770	-	**1,349**
Total consolidated revenue	**82,889**	**80,917**	**46,204**	**579**	**210,589**	**10,891**	**(1,685)**	**219,795**
Property expenses and outgoings	(15,108)	(13,734)	-	-	**(28,842)**	(83)	-	**(28,925)**
Hotel expenses	-	-	-	-	**-**	(4,193)	-	**(4,193)**
Depreciation and amortisation expense	(1,029)	(241)	-	-	**(1,270)**	(2)	-	**(1,272)**
Cost of inventory sales	-	-	(9,745)	-	**(9,745)**	(4,051)	251	**(13,545)**
Impairment charges	-	-	(6,972)	-	**(6,972)**	-	-	**(6,972)**
Administrative and other expenses	(8,968)	-	(3,843)	-	**(12,811)**	(556)	478	**(12,889)**
Segment result	**57,784**	**66,942**	**25,644**	**579**	**150,949**	**2,006**	**(956)**	**151,999**
Finance costs					**(13,633)**	(1,405)	1,059	**(13,979)**
Profit before tax					**137,316**	**601**	**103**	**138,020**
Income tax expense					**(10,349)**	-	-	**(10,349)**
Net profit for the period					**126,967**	**601**	**103**	**127,671**
less non-controlling interest					**-**	151	-	**151**
Net profit for the period attributable to members of the Group					**126,967**	**752**	**103**	**127,822**

^ includes fair value loss of $0.8 million

NOTES TO THE FINANCIAL STATEMENTS – Segment Information (continued)

31 DECEMBER 2018

	Core Segments					Non Core Segments		
	Property Investments		Property		Total Core			
	Commercial	Storage	Developments	Unallocated	Segments	Other	Eliminations	Consolidated
Half-year ended 31 December 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue								
Rental income	42,534	36,926	-	-	**79,460**	38	-	**79,498**
Hotel income	-	-	-	-	**-**	14,224	-	**14,224**
Finance income	-	-	24,947	-	**24,947**	4	-	**24,951**
Fee income	4,319	-	-	-	**4,319**	-	(1,838)	**2,481**
Sale of inventory	-	-	-	-	**-**	8,374	-	**8,374**
Net change in fair value of investments and financial instruments derecognised	824	-	-	-	**824**	-	-	**824**
Net gain on sale of property, plant and equipment	-	-	-		**-**	-	-	**-**
Net change in investment properties and property, plant and equipment held at balance date	13,397	20,597	-	-	**33,994**	-	-	**33,994**
Share of profit from equity accounted investments ^	34,206	-	6,698	-	**40,904**	-	-	**40,904**
Other income	2,099	-	46	-	**2,145**	-	-	**2,145**
Other unallocated revenue	-	-	-	1,706	**1,706**	333	-	**2,039**
Total consolidated revenue	**97,379**	**57,523**	**31,691**	**1,706**	**188,299**	**22,973**	**(1,838)**	**209,434**
Property expenses and outgoings	(14,586)	(13,516)	-	-	**(28,102)**	(94)	-	**(28,196)**
Hotel expenses	-	-	-	-	**-**	(10,376)	-	**(10,376)**
Depreciation and amortisation expense	(935)	(206)	-	-	**(1,141)**	(1,293)	-	**(2,434)**
Cost of inventory sales	(5)	-	-	-	**(5)**	(7,088)	1,233	**(5,860)**
Net change in fair value of investment properties derecognised	(28)	-	-	-	**(28)**	-	-	**(28)**
Net change in fair value of investments held at balance date	283	-	(5,263)	-	**(4,980)**	-	-	**(4,980)**
Administrative and other expenses	(8,346)	-	(3,577)	-	**(11,923)**	(791)	(913)	**(13,627)**
Segment result	**73,762**	**43,801**	**22,851**	**1,706**	**142,120**	**3,331**	**(1,518)**	**143,933**
Finance costs					**(14,814)**	(1,451)	1,058	**(15,207)**
Profit before tax					**127,306**	**1,880**	**(460)**	**128,726**
Income tax expense					**(10,322)**	-	-	**(10,322)**
Net profit for the period					**116,984**	**1,880**	**(460)**	**118,404**
less non-controlling interest					**12**	(909)	-	**(897)**
Net profit for the period attributable to members of the Group					**116,996**	**971**	**(460)**	**117,507**

^ includes fair value gain of $7.6 million

NOTES TO THE FINANCIAL STATEMENTS – Segment Information (continued)

31 DECEMBER 2018

	Core Segments				Non Core Segments		
	Property Investment	Property Development	Unallocated	Total	Other	Eliminations	Consolidated
As at 31 December 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Current assets	121,018	107,104	91,916	**320,038**	115,825	(42,760)	**393,103**
Non-current assets	2,079,043	278,044	47,370	**2,404,457**	982	(8,302)	**2,397,137**
Total assets	**2,200,061**	**385,148**	**139,286**	**2,724,495**	**116,807**	**(51,062)**	**2,790,240**
Current liabilities	13,363	6,340	59,990	**79,693**	94,686	(71,908)	**102,471**
Non-current liabilities	974	418	683,788	**685,180**	4,774	14,170	**704,124**
Total liabilities	**14,337**	**6,758**	**743,778**	**764,873**	**99,460**	**(57,738)**	**806,595**
Net assets	**2,185,724**	**378,390**	**(604,492)**	**1,959,622**	**17,347**	**6,676**	**1,983,645**
Total facilities - bank loans				937,750	-		**937,750**
Facilities used at reporting date - bank loans				(661,842)	-		**(661,842)**
Facilities unused at reporting date - bank loans				**275,908**	**-**		**275,908**
As at 30 June 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Current assets	250,106	236,160	96,673	**582,939**	128,298	(40,510)	**670,727**
Non-current assets	1,880,362	213,275	41,529	**2,135,166**	620	(10,896)	**2,124,890**
Total assets	**2,130,468**	**449,435**	**138,202**	**2,718,105**	**128,918**	**(51,406)**	**2,795,617**
Current liabilities	25,160	11,468	85,644	**122,272**	104,170	(70,034)	**156,408**
Non-current liabilities	942	404	702,218	**703,564**	7,265	11,678	**722,507**
Total liabilities	**26,102**	**11,872**	**787,862**	**825,836**	**111,435**	**(58,356)**	**878,915**
Net assets	**2,104,366**	**437,563**	**(649,660)**	**1,892,269**	**17,483**	**6,950**	**1,916,702**
Total facilities - bank loans				891,000	-		**891,000**
Facilities used at reporting date - bank loans				(694,970)	-		**(694,970)**
Facilities unused at reporting date - bank loans				**196,030**	**-**		**196,030**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

1. EARNINGS PER STAPLED SECURITY

	31 Dec 2018	31 Dec 2017
Basic and diluted earnings per stapled security (cents)	22.05	20.37
Reconciliation of earnings used in calculating earnings per stapled security		
Basic and diluted earnings per stapled security		
Net profit ($'000)	**127,822**	**117,507**
Weighted average number of shares:		
Weighted average number of stapled securities for basic earning per security ('000)	579,651	576,862

2. INVESTMENT PROPERTIES

	31 Dec 2018 $'000	30 Jun 2018 $'000
Leasehold investment properties [1]	13,088	12,690
Freehold investment properties	1,939,209	1,923,310
Total investment properties	**1,952,297**	**1,936,000**

1. The carrying amount of the leasehold property is presented gross of the finance liability of $2.7 million (30 June 2018: $2.7 million).

Reconciliation

	31 Dec 2018 $'000	30 Jun 2018 $'000
Investment properties held for sale		
Office	22,900	-
Other	18,600	209,606
Total investment properties held for sale	**41,500**	**209,606**
Investment properties		
Office	893,960	809,284
Storage	773,880	661,953
Other	242,957	255,157
Total investment properties	**1,910,797**	**1,726,394**
Total investment properties including held for sale	**1,952,297**	**1,936,000**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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 2018	**30 Jun 2018**
Leasehold investment properties	**$'000**	**$'000**
Carrying amount at beginning of the financial period	12,690	13,592
Capital expenditure	3	-
Net change in fair value as at balance date	395	(902)
Carrying amount at end of the period	**13,088**	**12,690**

	Held for sale		Non-current	
	31 Dec 2018	**30 Jun 2018**	**31 Dec 2018**	**30 Jun 2018**
Freehold investment properties	**$'000**	**$'000**	**$'000**	**$'000**
Carrying amount at beginning of the financial period	209,606	8,000	1,713,704	1,549,931
Additions	-	-	146,911	297,000
Capital expenditure	3,374	-	23,116	54,126
Net change in fair value as at balance date	-	-	59,698	61,627
Net change in fair value derecognised	3,028	-	5,247	15,265
Disposals	(216,008)	-	(15,294)	(57,956)
Effect of movements in foreign exchange	-	-	4,791	(4,683)
Transfer to inventory	-	-	(874)	-
Properties transferred to / from held for sale	41,500	201,606	(41,500)	(201,606)
Straightlining	-	-	1,910	-
Carrying amount at end of the period	**41,500**	**209,606**	**1,897,709**	**1,713,704**

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
Rate per unit	Increase	Decrease
Optimal occupancy	Increase	Decrease
Adopted discount rate	Decrease	Increase

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

2. INVESTMENT PROPERTIES (continued)

External valuations are conducted by qualified independent valuers who are appointed by the Director of Property who is also responsible for the Group's internal valuation process. He is assisted by in-house certified professional valuers who 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 6.47% (30 June 2018: 6.62%) and for each significant category above is as follows;

- Office – 6.11% (30 June 2018: 6.29%)
- Storage – 6.99% (30 June 2018: 7.45%)
- Other – 5.88% (30 June 2018: 6.00%)

The optimal occupancy rate utilised in the valuation process ranged from 80.0% to 100.0% (30 June 2018: 80.0% to 95.0%). The current occupancy rate for the principal portfolio excluding development and self storage assets is 91.2% (30 June 2018: 91.3%). The current occupancy rate for self storage assets is 88.4% (30 June 2018: 89.4%).

During the half-year ended 31 December 2018, 28% (30 June 2018: 56%) of the number of investment properties in the portfolio were subject to external valuations, the remaining 72% (30 June 2018: 44%) were subject to internal valuation.

* Excludes Abacus Hospitality Fund.

3. INVENTORY

	31 Dec 2018 $'000	30 Jun 2018 $'000
(a) Current		
Hotel supplies	-	237
Property developments[1]		
- purchase consideration	68,258	50,112
- development costs	9,098	19,161
- provision	(44,304)	(40,962)
	33,052	**28,548**
(b) Non-current		
Property developments[1]		
- purchase consideration	55,898	72,803
- development costs	3,359	3,354
	59,257	**76,157**
Total inventory	**92,309**	**104,705**

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

4. PROPERTY LOANS AND OTHER FINANCIAL ASSETS

	31 Dec 2018 $'000	30 Jun 2018 $'000
(a) Current property loans		
Secured loans - amortised cost[1]	88,327	131,460
Interest receivable on secured loans - amortised cost	5,591	53,282
Provision for secured loans - amortised cost	(3,808)	-
Secured loans - fair value[2]	26,534	26,991
Interest receivable on secured loans - fair value	3,832	4,526
	120,476	**216,259**
(b) Non-current property loans		
Secured loans - amortised cost[1]	123,214	87,003
Interest receivable on secured loans - amortised cost	60,632	6,190
Provision for secured loans - amortised cost	(14,122)	-
Secured loans - fair value	24,833	24,504
Interest receivable on secured loans - fair value	2,965	1,108
	197,522	**118,805**
(c) Non-current other financial assets		
Other financial assets	45,957	-
Investment in securities and options - unlisted - fair value	1,397	1,329
Derivatives - projects - fair value	-	1,885
	47,354	**3,214**

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 2019 and the non-current facilities will mature between 1 January 2020 and 1 July 2021.
2. The Group has adopted AASB 9 Financial Instruments and the classification of the balances for the year ended 30 June 2018 have been restated for comparative purposes by the amount of secured loans – fair value.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	Fordtrans Pty Ltd		Merivale Pty Ltd		Other Joint Ventures & associates		Total	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	5,299	4,683	31,991	8	51,377	335,885	88,667	340,576
Expenses	(3,122)	(2,873)	(27,533)	(29)	(37,907)	(262,849)	(68,562)	(265,751)
Net profit / (loss)	**2,177**	**1,810**	**4,458**	**(21)**	**13,470**	**73,036**	**20,105**	**74,825**
Share of net profit / (loss)	**1,088**	**924**	**2,483**	**(10)**	**4,570**	**39,990**	**8,141**	**40,904**

(b) Extract from joint ventures and associates' balance sheets

	Fordtrans Pty Ltd		Merivale Pty Ltd		Other Joint Ventures & associates		Total	
	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current assets	8,306	1,073	36,152	95,677	17,525	70,800	61,983	167,550
Non-current assets	200,694	215,214	-	-	267,630	243,328	468,324	458,542
	209,000	216,287	36,152	95,677	285,155	314,128	530,307	626,092
Current liabilities	(9,986)	(18,128)	(230)	(1,745)	(13,574)	(156,147)	(23,790)	(176,020)
Non-current liabilities	(64,800)	(64,800)	-	-	(145,697)	(22,372)	(210,497)	(87,172)
Net assets	**134,214**	**133,359**	**35,922**	**93,932**	**125,884**	**135,609**	**296,020**	**362,900**
Share of net assets	**67,107**	**66,679**	**16,995**	**45,625**	**46,293**	**42,586**	**130,395**	**154,890**

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6. INTEREST BEARING LOANS AND BORROWINGS

	31 Dec 2018 $'000	30 Jun 2018 $'000
Other		
Current		
Other loans - A$	22,532	38,765
(a) Total current	**22,532**	**38,765**

	31 Dec 2018 $'000	30 Jun 2018 $'000
Abacus*		
Non-current		
Bank loans - A$	589,945	624,636
Bank loans - A$ value of NZ$ denominated loan	72,902	70,334
Other loans - A$	12,367	-
Less: Unamortised borrowing costs	(1,419)	(1,228)
(b) Total non-current	**673,795**	**693,742**

* Excludes Abacus Hospitality Fund and Abacus Wodonga Land Fund.

	31 Dec 2018 $'000	30 Jun 2018 $'000
(c) Maturity profile of current and non-current interest bearing loans		
Due within one year	22,532	38,765
Due between one and five years	497,473	413,742
Due after five years	176,322	280,000
	696,327	**732,507**

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 fixed or floating basis. The loans term to maturity varies from July 2019 to August 2025. The bank loans are secured by charges over the investment properties, certain inventory and certain property, plant and equipment.

Approximately 43.3% (30 June 2018: 41.7%) of bank debt drawn was subject to fixed rate hedges. The drawn bank debt had a weighted average term to maturity of 3.5 years (30 June 2018: 3.8 years). Hedge cover as a percentage of available facilities at 31 December 2018 is 30.6% (30 June 2018: 32.6%).

Abacus' weighted average interest rate as at 31 December 2018 was 4.13% (30 June 2018: 4.27%). Line fees on undrawn facilities contributed to 0.37% of the weighted average interest rate at 31 December 2018 (30 June 2018: 0.40%). Abacus' weighted average interest rate excluding the undrawn facilities line fees as at 31 December 2018 was 3.76% (30 June 2018: 3.87%).

* Excludes Abacus Hospitality Fund and Abacus Wodonga Land Fund.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

6. INTEREST BEARING LOANS AND BORROWINGS (continued)

(d) Assets pledged as security

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

	31 Dec 2018 $'000	30 Jun 2018 $'000
Current		
First mortgage		
Investment properties held for sale	31,100	162,948
Total current assets pledged as security	31,100	162,948
Non-current		
First mortgage		
Inventory	12,500	12,481
Investment properties	1,872,047	1,636,334
Total non-current assets pledged as security	1,884,547	1,648,815
Total assets pledged as security	**1,915,647**	**1,811,763**

(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 2018

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") Direct comparison Income capitalisation method	Adopted capitalisation rate Rate per unit Optimal occupancy Adopted discount rate
Property, plant and equipment	Level 3	Income capitalisation method	Net market EBITDA Optimal occupancy Adopted capitalisation rate
Property loans - fair value	Level 3	Residual cash flow analysis	Property loan cash flow forecast Property loan payment priorities
Derivative - project entitlement	Level 3	Residual cash flow analysis	Project cash flow forecast Project payment priorities
Securities and options - unlisted	Level 3	Pricing models	Security price Underlying net asset Property valuations
Derivative - financial instruments	Level 2	DCF (adjusted for counterparty credit worthiness)	Interest rates Consumer Price Index ("CPI") Volatility Quoted security price

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.
Direct comparison	This method directly compares and analyses sales evidence on a rate per unit.
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 2018

7. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

The following table is a reconciliation of the movements in derivatives (projects), unlisted securities and options classified as Level 3 for the period ended 31 December 2018.

	Property loans	Derivatives - projects	Unlisted securities/ options	Total
	$'000	$'000	$'000	$'000
Opening balance as at 30 June 2018	51,495	1,885	1,329	54,709
Fair value movement through the income statement	1,885	(1,885)	68	68
Additions	987	-	-	987
Disposals	(3,000)	-		(3,000)
Closing balance as at 31 December 2018	**51,367**	**-**	**1,397**	**52,764**

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

Sensitivity of Level 3

Derivatives - projects

The potential effect of using reasonable possible alternative assumptions based on a change in the underlying property developments' returns by 5% would have the effect of reducing the fair value by up to $0.3 million (30 June 2018: $0.3 million) or increase the fair value by $0.3 million (30 June 2018: $0.3 million).

Unlisted securities and options

The potential effect of using reasonable possible alternative assumptions based on a change in the property valuations by 5% would have the effect of reducing the fair value by up to $0.1 million (30 June 2018: $0.1 million) or increase the fair value by $0.1 million (30 June 2018: $0.1 million).

8. CONTRIBUTED EQUITY

	31 Dec 2018	30 Jun 2018
(a) Issued stapled securities	**$'000**	**$'000**
Stapled securities	1,636,692	1,635,046
Issue costs	(40,058)	(40,058)
Total contributed equity	1,596,634	1,594,988

	Stapled securities	
	Number	Value
(b) Movement in stapled securities on issue	**'000**	**$'000**
At 30 June 2018	579,363	1,594,988
- distribution reinvestment plan	432	1,646
- issue costs	-	-
Securities on issue at 31 December 2018	579,795	1,596,634

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

9. DISTRIBUTIONS PAID AND PROPOSED

Abacus	31 Dec 2018 $'000	31 Dec 2017 $'000
(a) Distributions paid during the period		
June 2018 half: 9.00 cents per stapled security (2017: 8.75 cents)	52,143	50,362
(b) Distributions declared and recognised as a liability^		
December 2018 half: 9.25 cents per stapled security (2017: 9.00 cents)	53,631	51,975

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

^ The interim distribution of 9.25 cents per stapled security was declared on 19 December 2018. The distribution being paid on or around 28 February 2019 will be approximately $53.6 million.

Non-core funds	31 Dec 2018 $'000	31 Dec 2017 $'000
(a) Distributions paid during the period		
Abacus Hospitality Fund	735	735
	735	**735**
(b) Distributions proposed		
Abacus Hospitality Fund	368	368
	368	**368**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

10. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2018 $'000	30 Jun 2018 $'000
Property, plant and equipment held for sale		
Current		
Hotel properties	-	88,500
Total current property, plant and equipment held for sale	**-**	**88,500**
Non-current		
Storage equipment	4,505	3,848
Office equipment / furniture and fittings	836	952
Total non-current property, plant and equipment	**5,341**	**4,800**
Total property, plant and equipment including held for sale	**5,341**	**93,300**

	31 Dec 2018 $'000	30 Jun 2018 $'000
Land and buildings		
At the beginning of the period net of accumulated depreciation	81,068	71,828
Additions	-	109
Fair value movement through comprehensive income	-	10,052
Disposal	(81,068)	-
Depreciation charge for the period	-	(921)
At the end of the period net of accumulated depreciation	**-**	**81,068**
Gross value	-	91,300
Accumulated depreciation	-	(10,232)
Net carrying amount at end of the period	**-**	**81,068**
Plant and equipment		
Gross value	12,646	33,155
Accumulated depreciation	(7,305)	(20,923)
Net carrying amount at end of the period	**5,341**	**12,232**
Total	**5,341**	**93,300**

If property, plant and equipment was carried under the cost model, the carrying amount would be $5.3 million (30 June 2018: $63.5 million).

Storage Properties

- The weighted average capitalisation rate is 6.99% (30 June 2018: 7.45%)
- The current weighted average occupancy rate is 88.4% (30 June 2018: 89.4%)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

11. COMMITMENTS AND CONTINGENCIES

There are no contingent assets or liabilities at 31 December 2018 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 2018. 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 2018 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2018 except for the adoption of new standards and interpretations effective as of 1 July 2018.

New accounting standards and interpretations

The Group has adopted the following new standards which became applicable on 1 July 2018:

- AASB 15 Revenue from Contracts with Customers

  AASB 15 replaces the revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations. AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  The Group has undertaken an analysis to scope out its revenue streams to identify specific impacts of the Standard. The majority of the Group's revenue streams have application under other relevant standards and therefore have no application under AASB 15 (for example rental income, finance income). Where the Standard does apply, the Group has assessed that there will be no change to the recognition or measurement of revenue upon application of the Standard other than the reclassification of certain comparatives in the income statement for consistency with the current period's revenue classification. Revenue from third parties are recognised as goods are sold or as services are provided.

- AASB 9 Financial Instruments

  Impact of adoption

  This standard includes new requirements for classification and measurement, impairment and hedge accounting of financial instruments compared with the requirements of AASB 139 Financial Instruments: Recognition and Measurement.

  The Group has adopted AASB 9 and related amendments from 1 July 2018. Comparative results are not restated as permitted by the standard. The cumulative effect on initial application of AASB 9 is a net charge to opening retained profits of $11.2 million as at 1 July 2018, represented by an increase in interest bearing loans and borrowings of $1.2 million due to non-substantial modification of bank loans in prior years and a decrease in property loan financial assets carried at amortised cost of $10.0 million (net of tax) from the increase in expected credit loss (ECL) provision for these loans.

  Property loan financial assets that have a profit sharing component that do not meet the solely payments of principal and interest (SPPI) criterion under AASB 9 have been reclassified from property loans held at amortised cost to property loans held at fair value through profit and loss (refer to Note 4).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

12. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards and interpretations (continued)

(i) Classification and measurement

Financial assets previously held at fair value continue to be measured at fair value. Trade and other receivables and certain property loans are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. These receivables continue to be measured at amortised cost. Property loan financial assets that have a certain level of profit sharing component that do not meet the solely payments of principal and interest (SPPI) criterion under AASB 9 previously held at amortised cost are now measured at fair value through profit and loss.

The Group has floating rate borrowing facilities that have been refinanced during previous financial periods. Under AASB 9, the accounting for the modification of a financial liability that has not resulted in derecognition, requires an adjustment to the amortised cost of the liability (due to discounting using the original effective interest rate), with any gain or loss being recognised immediately in the income statement. Under the previous standard AASB 139, the gain or loss was recognised over the remaining life of the borrowing by adjusting the effective interest rate. The Group has assessed that the cumulative loss on initial application is $1.2 million.

(ii) Impairment

Under AASB 9, the Group's accounting for impairment losses for financial assets has changed, by replacing AASB 139's incurred loss approach with a forward-looking ECL approach. The Group has applied the simplified approach and recorded lifetime expected losses on trade and other receivables. The ECL on trade and other receivables is immaterial.

For property loan financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group has established a provision matrix which includes assessing the credit rating of each borrower to determine the probability of default, loss given default and exposure at default, taking into account sensitivity factors to work out the ECL provision for each property loan. The revised methodology for calculation of impairment resulted in an ECL loss provision net of tax of $10.0 million as at 1 July 2018.

(iii) Hedge accounting

As the Group did not have any hedge relationships that are designated as effective hedges in place as at 30 June 2018, there is no impact from the application of hedging requirements on the financial statements.

Accounting policies

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The impact of the standard on financial assets and liabilities is set out below.

(i) Classification

From 1 July 2018, the Group classifies its financial assets as follows:

a) cash, trade and other receivables and property loans held at amortised cost are measured at amortised cost. These are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest (SPPI).

b) financial assets that do not meet the SPPI criterion are measured at fair value through the profit and loss (FVTPL).

c) derivative assets are measured at FVTPL.

(ii) Measurement

At initial recognition, the Group measures a financial asset (other than trade receivables) at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Trade receivables at initial recognition are measured at their transaction price if they do not contain a significant financing component.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

12. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards and interpretations (continued)

Financial assets at FVTPL are subsequently measured at fair value. Gains and losses from changes in fair value are recognised in the income statement unless they have been designated and qualify as cash flow or net investment hedging instruments, where the effective portion of changes in fair value is recognised in either a cash flow or foreign currency reserve within equity. Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses (see below). Interest income, foreign exchange gains and losses and impairment are recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

Interest bearing liabilities are recognised initially at fair value and include transaction costs. Subsequent to initial recognition, interest bearing liabilities are recognised at amortised cost using the effective interest rate method. Fees paid in the establishment of interest bearing liabilities are included as part of the carrying amount of interest bearing liability.

Interest bearing liabilities measured at amortised cost that are subsequently substantially modified result in derecognition of the financial liability. For interest bearing liabilities that have not been substantially modified, an adjustment to the amortised cost of the liability (due to discounting using the original effective interest rate) is made, with any gain or loss recognised in the income statement.

(iii) Impairment

From 1 July 2018 the Group assesses on a forward-looking basis the ECL associated with its financial assets carried at amortised cost. For trade and other receivables, the Group applies the simplified approach permitted by the standard, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For property loan financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group determines the ECL using a provision matrix which includes assessing the credit rating of each borrower to determine the probability of default, loss given default and exposure at default, taking into account sensitivity factors to work out the ECL provision for each property loan. The ECL provision is recognised on initial recognition of the property loan.

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 2018 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, 15 February 2019

Steven Sewell
Managing Director

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Abacus Group Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Kathy Parsons
Partner
Sydney
15 February 2019