

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 2013

Results for announcement to the market

(corresponding period half year ended 31 December 2012)

Total revenues and other income	up	39%	to	\$212.2m
Net profit after income tax expense attributable to stapled security holders	up	100%	to	\$47.3m
Underlying profit ⁽¹⁾	up	8%	to	\$46.0m

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

	31 December 2013 \$'000	31 December 2012 \$'000
Consolidated statutory net profit after tax attributable to members of the Group	47,345	23,688
add back: consolidated losses relating to managed funds (these losses are excluded as the profits/losses of the managed funds cannot and do not form part of the assessable and distributable income of Abacus)	299	7,797
Net profit attributable to ABP securityholders	47,644	31,485
Certain significant items:		
Net (gain) / loss in fair value of investment properties held at balance date	(3,480)	4,421
Net change in property, plant and equipment remeasured at fair value	1,165	-
Net change in fair value of investments and financial instruments held at balance date	(543)	(3,517)
Net loss in fair value of derivatives	1,540	4,969
Net change in fair value of property, plant and equipment, inventory and investment properties included in equity accounted investments	(369)	5,067
Underlying profit attributable to ABP securityholders	45,957	42,425
Basic earnings per security (cents)	10.13	5.35
Basic underlying earnings per security (cents)	9.83	9.59
Distribution per security (cents - including proposed distribution)	8.25	8.25
Weighted average securities on issue (million)	467.4	442.5

Distributions	per stapled security
December 2013 half	8.25 cents
This distribution was declared on 13 January 2014 and will be paid on or about 27 February 2014	
Record date for determining entitlement to the distributions	23 January 2014

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 2013.

Details of individual and total distribution payments	per stapled security	Total
Final June 2013 distribution	paid 15 August 2013	8.25 cents
		\$37.4 m
The distributions were paid in full by Abacus Trust and Abacus Income Trust which do not pay tax, hence there were no franking credits attached.		

	31 December 2013	30 June 2013
Net tangible assets per security ⁽²⁾	\$2.34	\$2.32

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

Details of entities over which control has been gained during the period:

a) November 2013 - Abacus Aspley Village Trust

Details of associates and joint venture entities				
	Ownership Interest		Share of net profit/(loss)	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	%	%	\$'000	\$'000
Abacus Rosebery Property Trust	50	50	76	700
Abwill 350 George Street Trust	50	50	547	(5)
Australian Aggregation Head Trust	25	25	650	1,313
Fordtrans Pty Ltd (Virginia Park)	50	50	2,099	2,461
Pakenham Valley Unit Trust	50	50	1,207	703
Other	25 - 50	25 - 50	(759)	(3,929)
			3,820	1,243

The equity accounted profits/losses includes a fair value increment of \$0.4 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.



HALF-YEAR FINANCIAL REPORT

31 December 2013

Directory

Abacus Group Holdings Limited

ABN: 31 080 604 619

Abacus Group Projects Limited

ABN: 11 104 066 104

Abacus Storage Operations Limited

ABN: 37 112 457 075

Abacus Funds Management Limited

ABN: 66 007 415 590

Abacus Storage Funds Management Limited

ABN: 41 109 324 834

Registered Office

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

Custodian:

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

Directors of Responsible Entities and

Abacus Group Holdings Limited:

John Thame, Chairman
Frank Wolf, Managing Director
William Bartlett
Malcolm Irving
Myra Salkinder

Company Secretary:

Ellis Varejes

Auditor (Financial and Compliance Plan):

Ernst & Young
Ernst & Young Centre
680 George Street
SYDNEY NSW 2000

Share Registry:

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

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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 2013 and Abacus Property Group's 30 June 2013 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 2013**

The Directors present their report for the period ended 31 December 2013.

DIRECTORS

The Directors of Abacus Group Holdings Limited ("AGHL"), Abacus Funds Management Limited ("AFML") - the Responsible Entity of Abacus Trust ("AT") and Abacus Income Trust ("AIT"), Abacus Group Projects Limited ("AGPL"), Abacus Storage Funds Management Limited ("ASFML") - the Responsible Entity of Abacus Storage Property Trust ("ASPT") and Abacus Storage Operations Limited ("ASOL") in office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

John Thame	Chairman (Non-executive)
Frank Wolf	Managing Director
William Bartlett	Non-executive Director
Malcolm Irving	Non-executive Director
Myra Salkinder	Non-executive Director

STRUCTURE AND PRINCIPAL ACTIVITIES*Listed Structure / Entities*

The listed Abacus Property Group is a diversified property group that operates predominantly in Australia. It comprises AGHL, AT, AGPL, AIT, ASPT and ASOL (collectively "Abacus") and its securities trade on the Australian Securities Exchange ("ASX") as ABP. Abacus was listed on the ASX in November 2002 and its market capitalisation was over \$1 billion at 31 December 2013.

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, Abacus Miller Street Holding Trust 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 2013 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, Abacus Miller Street Holding Trust ("AMSHT") and its controlled entity 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 2013 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 2013

Abacus is also a member of the S&P/ASX 200 A-REIT index (ASX:XPJ), a sub-index of the S&P/ASX 200 index that contains the listed vehicles classified as A-REITs. Abacus is the only 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 non-controlling interests of \$47.3 million for the half-year ended 31 December 2013 (December 2012: \$23.7 million). This profit has been calculated in accordance with Australian Accounting Standards. It includes certain significant items that need adjustment to enable securityholders to obtain an understanding of Abacus' underlying profit of \$46.0 million (December 2012: \$42.4 million).

The underlying profit reflects the statutory profit / loss as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of Abacus, in accordance with the AICD / Finsia principles for reporting underlying profit. The consolidated profits / (losses) which belong to the securityholders of Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holdings Trust and Abacus Wodonga Land Fund are excluded as these profits cannot and do not form part of the distributable income of Abacus. The calculation of underlying profit excludes items such as unrealised fair value gains / losses on investment properties, unrealised provision gains / losses, adjustments arising from the effect of revaluing assets / liabilities carried at fair value (such as derivatives, financial instruments and investments), the consolidated profits / (losses) of managed funds which do not form part of the assessable or distributable profits of Abacus and other adjustments in the determination of underlying profit including transactions that occur infrequently and those that are outside the scope of Abacus' core ongoing business activities. Underlying profit is the basis on which distributions are determined.

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

	31 Dec 2013	31 Dec 2012
	\$'000	\$'000
Consolidated statutory net profit after tax attributable to members of the Group	47,345	23,688
add back: consolidated losses relating to managed funds (these losses are excluded as the profits/losses of the managed funds cannot and do not form part of the assessable and distributable income of Abacus)	299	7,797
Net profit attributable to Abacus securityholders	47,644	31,485
Certain significant items:		
Net (gain) / loss in fair value of investment properties held at balance date	(3,480)	4,421
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Net change in fair value of investments and financial instruments held at balance date	(543)	(3,517)
Net loss in fair value of derivatives	1,540	4,969
Net change in fair value of property, plant and equipment, inventory and investment properties included in equity accounted investments	(369)	5,067
Underlying profit attributable to Abacus securityholders	45,957	42,425
	31 Dec 2013	31 Dec 2012
Basic earnings per security (cents)	10.13	5.35
Basic underlying earnings per security^ (cents)	9.83	9.59
Distribution per security^ (cents - including proposed distribution)	8.25	8.25
Weighted average securities on issue (million)	467.4	442.5

^Abacus

The increase in the Group's statutory and underlying performance reflects increased rental income including from new properties, the ongoing sale of residential / commercial development stock and a reduction in the fair value decrement of interest rate swaps.

DIRECTORS' REPORT

31 December 2013

GROUP RESULTS SUMMARY (continued)

As at 31 December 2013, the Group had an interest in the following properties:

	\$'000	No. of properties
Abacus (listed entities)* including 49 self storage properties	1,328,847	97
Abacus Hospitality Fund^	148,000	4
Abacus Diversified Income Fund II^	176,273	20
Abacus Miller Street Holding Trust^	60,505	1

*Owned by Abacus securityholders

^Consolidated

CHANGES IN THE STATE OF AFFAIRS

In November 2013, securityholders approved the reallocation of \$120 million of capital between the different entities within Abacus (\$40 million capital from AT and \$80 million capital from AIT was reallocated to AGHL). The reallocation of capital had no impact on the reported profit of Abacus and was undertaken to provide further capital to AGHL to support its activities and to reduce its borrowings to a more appropriate level.

In November 2013, Abacus also completed a \$75 million placement of 33.5 million stapled securities to institutional and sophisticated investors.

DISTRIBUTIONS

An interim distribution of 8.25 cents per Abacus stapled security was declared on 13 January 2014 which will be paid on 27 February 2014. Distributions are paid on a semi-annual basis.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

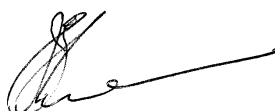
ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

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

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



John Thame
Chairman
Sydney, 26 February 2014



Frank Wolf
Managing Director

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

In relation to our review of the financial report of Abacus Group Holdings Limited for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Kathy Parsons
Partner
26 February 2014

CONSOLIDATED INCOME STATEMENT
HALF-YEAR ENDED 31 DECEMBER 2013

		31 Dec 2013	31 Dec 2012
	Notes	\$'000	\$'000
REVENUE			
Rental income		53,267	48,118
Storage income		23,799	22,297
Hotel income		30,218	26,414
Finance income		9,149	9,278
Funds management income		1,411	3,729
Sale of inventory		75,831	50,966
Total Revenue		193,675	160,802
Net change in fair value of investment properties derecognised		8,824	1,567
Net change in fair value of investments and financial instruments derecognised		2,403	2,903
Net change in fair value of investment properties and property, plant & equipment held at balance date		3,132	(11,467)
Net change in fair value of investments held at balance date		278	4,027
Net change in fair value of derivatives		15	(6,116)
Share of profit from equity accounted investments	9(b)	3,820	1,243
Total Revenue and Other Income		212,147	152,959
Property expenses and outgoings		(9,273)	(7,184)
Storage expenses		(8,840)	(7,758)
Hotel expenses		(20,705)	(19,462)
Depreciation, amortisation and impairment expense		(4,991)	(3,466)
Cost of inventory sales	4(a)	(69,823)	(43,848)
Finance costs	4(b)	(27,577)	(30,699)
Administrative and other expenses		(12,096)	(12,628)
PROFIT BEFORE TAX		58,842	27,914
Income tax expense		(9,908)	(3,136)
NET PROFIT AFTER TAX		48,934	24,778
PROFIT ATTRIBUTABLE TO:			
Equity holders of the parent entity (AGHL)		8,070	7,379
<i>Equity holders of other stapled entities</i>			
AT members		23,345	2,531
AGPL members		6,582	1,906
AIT members		1,790	6,613
ASPT members		(5,863)	(7,067)
ASOL members		13,421	12,326
Stapled security holders		47,345	23,688
Net profit attributable to external non-controlling interests		1,589	1,090
NET PROFIT		48,934	24,778

Basic and diluted earnings per stapled security (cents)

13

10.13

5.35

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
HALF-YEAR ENDED 31 DECEMBER 2013

	31 Dec 13 \$'000	31 Dec 12 \$'000
NET PROFIT AFTER TAX	48,934	24,778
OTHER COMPREHENSIVE INCOME		
<i>Items that will not be reclassified subsequently to the income statement</i>		
Revaluation of assets, net of tax	(64)	(3,309)
<i>Items that may be reclassified subsequently to the income statement</i>		
Foreign exchange translation adjustments, net of tax	3,313	643
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	52,183	22,112
Total comprehensive income attributable to:		
Members of the APG Group	50,099	23,684
External non-controlling interests	2,084	(1,572)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	52,183	22,112
by amounts attributable to:		
AGHL members	8,817	7,379
AT members	23,345	2,531
AGPL members	6,582	1,984
AIT members	1,790	6,613
ASPT members	(3,913)	(7,175)
ASOL members	13,478	12,352
TOTAL COMPREHENSIVE INCOME AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE GROUP	50,099	23,684

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
HALF-YEAR ENDED 31 DECEMBER 2013

		31 Dec 2013	30 Jun 2013
	Notes	\$'000	\$'000
CURRENT ASSETS			
Cash and cash equivalents		39,806	44,822
Trade and other receivables		32,700	19,560
Investment properties held for sale	6	186,655	175,710
Inventory		62,498	72,992
Property loans	8(a)	-	2,452
Other financial assets		788	-
Other		3,475	3,636
TOTAL CURRENT ASSETS		325,922	319,172
NON-CURRENT ASSETS			
Trade and other receivables		-	6,897
Investment properties	6	1,264,700	1,221,395
Inventory		84,036	91,942
Property loans	8(b)	160,663	138,370
Other financial assets	8(c)	28,786	28,282
Property, plant and equipment	7	153,287	152,100
Equity accounted investments	9	114,874	124,458
Deferred tax assets		7,656	11,923
Intangible assets and goodwill		33,261	33,261
TOTAL NON-CURRENT ASSETS		1,847,263	1,808,628
TOTAL ASSETS		2,173,185	2,127,800
CURRENT LIABILITIES			
Trade and other payables		38,808	63,313
Interest-bearing loans and borrowings	11(a)	147,745	164,318
Derivatives at fair value		561	1,263
Income tax payable		5,091	876
Other financial liabilities	15	1,145	11,000
Other		4,598	6,112
TOTAL CURRENT LIABILITIES		197,948	246,882
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	11(b)	631,577	639,290
Derivatives at fair value		50,934	55,942
Deferred tax liabilities		10,203	10,312
Other financial liabilities	15	45,975	45,250
Other		2,501	2,304
TOTAL NON-CURRENT LIABILITIES		741,190	753,098
TOTAL LIABILITIES		939,138	999,980
NET ASSETS		1,234,047	1,127,820
TOTAL EQUITY		1,234,047	1,127,820

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

HALF-YEAR ENDED 31 DECEMBER 2013

	Notes	31 Dec 2013 \$'000	30 Jun 2013 \$'000
Equity attributable to members of AGHL:			
Contributed equity		294,794	162,070
Reserves		7,420	6,816
Accumulated losses		(35,914)	(43,984)
Total equity attributable to members of AGHL:		266,300	124,902
Equity attributable to unitholders of AT:			
Contributed equity		816,778	804,153
Accumulated losses		(130,862)	(152,236)
Total equity attributable to unitholders of AT:		685,916	651,917
Equity attributable to members of AGPL:			
Contributed equity		22,661	21,018
Accumulated losses		(5,556)	(12,138)
Total equity attributable to members of AGPL:		17,105	8,880
Equity attributable to unitholders of AIT:			
Contributed equity		112,993	177,151
Accumulated losses		(53,008)	(18,894)
Total equity attributable to unitholders of AIT:		59,985	158,257
Equity attributable to members of ASPT:			
Contributed equity		99,088	90,589
Reserves		930	(1,021)
Accumulated losses		(10,300)	(4,437)
Total equity attributable to members of ASPT:		89,718	85,131
Equity attributable to members of ASOL:			
Contributed equity		15,165	13,400
Reserves		138	82
Retained earnings		54,887	41,466
Total equity attributable to members of ASOL:		70,190	54,948
Equity attributable to external non-controlling interest:			
Contributed equity		78,007	78,007
Reserves		547	52
Accumulated losses		(33,721)	(34,274)
Total equity attributable to external non-controlling interest:		44,833	43,785
TOTAL EQUITY		1,234,047	1,127,820
Contributed equity	12	1,361,479	1,268,381
Reserves		8,488	5,877
Accumulated losses		(180,753)	(190,223)
Total stapled security holders' interest in equity		1,189,214	1,084,035
Total external non-controlling interest		44,833	43,785
TOTAL EQUITY		1,234,047	1,127,820

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

HALF-YEAR ENDED 31 DECEMBER 2013

	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	
CONSOLIDATED							
At 1 July 2013	1,268,381	39	(778)	6,616	(190,223)	43,785	1,127,820
Other comprehensive income	-	(39)	2,793	-	-	495	3,249
Net income for the period	-	-	-	-	47,345	1,589	48,934
Total comprehensive income for the period	-	(39)	2,793	-	47,345	2,084	52,183
Equity raisings	75,000	-	-	-	-	-	75,000
Issue costs	(807)	-	-	-	-	-	(807)
Distribution reinvestment plan	18,905	-	-	-	-	-	18,905
Security acquisition rights	-	-	-	(143)	-	-	(143)
Distribution to security holders	-	-	-	-	(37,875)	(1,036)	(38,911)
At 31 December 2013	1,361,479	-	2,015	6,473	(180,753)	44,833	1,234,047

	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	
CONSOLIDATED							
At 1 July 2012	1,231,994	612	(2,397)	5,448	(178,734)	50,969	1,107,892
Other comprehensive income	-	(331)	327	-	-	(2,662)	(2,666)
Net income for the period	-	-	-	-	23,688	1,090	24,778
Total comprehensive income for the period	-	(331)	327	-	23,688	(1,572)	22,112
Distribution reinvestment plan	18,729	-	-	-	-	-	18,729
Distribution to security holders	-	-	-	-	(35,977)	(7,692)	(43,669)
At 31 December 2012	1,250,723	281	(2,070)	5,448	(191,023)	41,705	1,105,064

CONSOLIDATED STATEMENT OF CASH FLOW
HALF-YEAR ENDED 31 DECEMBER 2013

	31 Dec 2013	31 Dec 2012
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income receipts	164,357	185,803
Interest received	1,619	2,752
Distributions received	221	130
Income tax paid	(1,521)	(1,388)
Finance costs paid	(23,981)	(25,475)
Operating payments	(62,590)	(54,836)
Payments for land acquisition and development costs (inventory)	(47,089)	(21,030)
NET CASH FLOWS FROM OPERATING ACTIVITIES	31,016	85,956
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investments and funds advanced	(30,956)	(26,334)
Proceeds from sale and settlement of investments and funds repaid	4,225	17,168
Purchase of investment properties and capital improvements	(85,730)	(16,438)
Disposal of investment properties	81,870	62,947
Purchase of property, plant and equipment	(3,191)	(1,042)
Payment for other investments	(82)	(3,449)
NET CASH FLOWS (USED IN) / FROM INVESTING ACTIVITIES	(33,864)	32,852
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of stapled securities	75,000	-
Payment of issue / finance costs	(982)	(392)
Repayment of borrowings	(80,419)	(129,755)
Proceeds from borrowings	25,840	32,429
Distributions paid	(21,990)	(26,759)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(2,551)	(124,477)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,399)	(5,669)
Net foreign exchange differences	383	84
Cash and cash equivalents at beginning of period	44,822	54,129
CASH AND CASH EQUIVALENTS AT END OF PERIOD	39,806	48,544

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER 2013****1. CORPORATE INFORMATION**

The listed Abacus Property Group ("Abacus") 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 none can be traded without the others. The securities trade as one security on the Australian Stock Exchange (the "ASX") under the code ABP.

The financial report for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 26 February 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The half-year financial report should be read in conjunction with the Annual Financial Report of Abacus Property Group for the year ended 30 June 2013. 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 2013 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Preparation

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

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

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

(b) Changes in accounting policy and disclosures

The following amending Standards have been adopted from 1 July 2013. Adoption of these Standards did not have any effect on the financial position, performance or accounting policies of the Group:

AASB 119 – Employee Benefits: This standard requires that the liability arising from defined benefit plans be recognised in full with actuarial gains and losses being recognised in other comprehensive income.

AASB 124 – Related Party Disclosures: This standard removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

The following Standard has been adopted from 1 July 2013 which has not had a material financial impact on the Group, however does require an increased level of disclosure:

AASB 13 – Fair Value Measurement: establishes a single source of guidance for determining the fair value of assets and liabilities. AASB13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Adoption of AASB13 has expanded the disclosure requirements for all assets and liabilities carried at fair value by the Group which includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER 2013****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(c) Basis of consolidation**

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

The adoption of AASB10 has led to the consolidation of Abacus Hospitality Fund and its controlled entities, Abacus Diversified Income Fund II and its controlled entities, Abacus Miller Street Holding Trust and its controlled entities and Abacus Wodonga Land Fund. This is due to the combination of Abacus' role as responsible entity and its exposure to variable returns arising from its collective equity and loan investments in these funds and certain guarantees.

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

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER 2013****3. SEGMENT INFORMATION**

Abacus predominately operates in Australia. Abacus has the following core 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 office, 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 Abacus' responsible entity obligations;
- (c) Property Ventures: provides secured lending and related property financing solutions and is also responsible for the investment in joint venture and associates' development and construction projects, which includes revenue from debt and equity investments in joint ventures and associates. This segment also is responsible for Abacus' 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.

AASB10 – in application of the standard Abacus has consolidated the Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust and Abacus Wodonga Land Fund. The performances of these entities which are operated as managed investment schemes are considered to be non-core segments and are reviewed separately to that of the performance of Abacus' core business segments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. SEGMENT INFORMATION (continued)

	Core Segments					Non Core Segments				Unallocated/ Eliminations	Consolidated
	Property	Funds Management	Property Ventures	Storage	Total Core Segments	AHF	ADIFII	AMSHT	AWLF		
Half-year ended 31 Dec 2013	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue											
Rental income	40,426	-	-	-	40,426	-	9,519	3,315	7	-	53,267
Storage income	-	-	-	23,799	23,799	-	-	-	-	-	23,799
Hotel income	858	-	-	-	858	29,360	-	-	-	-	30,218
Finance income	662	-	8,695	-	9,357	-	-	-	1	(662)	8,696
Funds management income	-	8,197	-	-	8,197	-	-	-	-	(6,786)	1,411
Sale of inventory	9,362	-	61,955	-	71,317	-	-	-	4,514	-	75,831
Net change in fair value of investment properties derecognised	7,558	-	-	-	7,558	-	1,266	-	-	-	8,824
Net change in fair value of investments and financial instruments derecognised	2,403	-	-	-	2,403	-	-	-	-	-	2,403
Net change in fair value of investment properties held at balance date	3,177	-	-	303	3,480	(1,007)	659	-	-	-	3,132
Net change in fair value of investments held at balance date	15	-	505	22	542	(264)	-	-	-	-	278
Share of profit from equity accounted investments ^	3,025	221	1,115	-	4,361	-	-	-	-	(541)	3,820
Net change in fair value of derivatives					(1,540)	61	807	535	152	-	15
Other unallocated revenue					320	110	8	11	4	-	453
Total consolidated revenue	67,486	8,418	72,270	24,124	171,078	28,260	12,259	3,861	4,678	(7,989)	212,147
Property expenses and outgoings	(7,900)	-	(16)	-	(7,916)	(102)	(1,005)	(186)	(475)	411	(9,273)
Storage expenses	-	-	-	(8,840)	(8,840)	-	-	-	-	-	(8,840)
Hotel expenses	(880)	-	-	-	(880)	(19,825)	-	-	-	-	(20,705)
Depreciation, amortisation and impairment expense	(2,672)	-	-	(132)	(2,804)	(1,932)	(192)	(63)	-	-	(4,991)
Cost of inventory sales	(8,387)	-	(57,873)	-	(66,260)	-	-	-	(3,563)	-	(69,823)
Administrative and other expenses	(4,102)	(912)	(1,823)	(2,279)	(9,116)	(807)	(457)	(182)	(50)	(1,484)	(12,096)
Segment result	43,545	7,506	12,558	12,873	75,262	5,594	10,605	3,430	590	(9,062)	86,419

^ includes fair value gain of \$0.4 million

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. SEGMENT INFORMATION (continued)

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. SEGMENT INFORMATION (continued)

	Core Segments					Non Core Segments			Unallocated/ Eliminations	Consolidated
	Property \$'000	Funds Management \$'000	Property Ventures \$'000	Storage \$'000	Total Core Segments \$'000	AHF \$'000	ADIFII \$'000	AMSHT \$'000		
Half-year ended 31 Dec 2012	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue										
Rental income	35,929	-	-	-	35,929	312	8,944	2,933	-	48,118
Storage income	-	-	-	22,297	22,297	-	-	-	-	22,297
Hotel income	726	-	-	-	726	25,688	-	-	-	26,414
Finance income	662	-	8,467	-	9,129	-	-	-	(661)	8,468
Funds management income	-	8,957	-	-	8,957	-	-	-	(5,228)	3,729
Sale of inventory	3,116	-	47,850	-	50,966	-	-	-	-	50,966
Net change in fair value of investment properties derecognised	1,312	-	-	-	1,312	(209)	464	-	-	1,567
Net change in fair value of investments and financial instruments derecognised	1,349	1,603	52	(101)	2,903	-	-	-	-	2,903
Net change in fair value of investment properties held at balance date	(5,162)	-	-	741	(4,421)	(1,738)	(2,422)	(2,886)	-	(11,467)
Net change in fair value of investments held at balance date	(7)	-	3,587	(63)	3,517	244	266	-	-	4,027
Share of profit from equity accounted investments ^	(1,223)	238	1,627	-	642	-	-	-	601	1,243
Net change in fair value of derivatives					(4,969)	(1,338)	(109)	300	-	(6,116)
Other unallocated revenue					652	139	10	9	-	810
Total consolidated revenue	36,702	10,798	61,583	22,874	127,640	23,098	7,153	356	(5,288)	152,959
Property expenses and outgoings	(6,637)	-	-	-	(6,637)	(102)	(722)	(120)	397	(7,184)
Storage expenses	-	-	-	(7,758)	(7,758)	-	-	-	-	(7,758)
Hotel expenses	(865)	-	-	-	(865)	(18,597)	-	-	-	(19,462)
Depreciation, amortisation and impairment expense	(1,063)	-	-	(126)	(1,189)	(2,022)	(222)	(33)	-	(3,466)
Cost of inventory sales	(2,223)	-	(41,625)	-	(43,848)	-	-	-	-	(43,848)
Administrative and other expenses	(4,406)	(1,192)	(1,958)	(2,447)	(10,003)	(811)	(248)	(178)	(1,388)	(12,628)
Segment result	21,508	9,606	18,000	12,543	57,340	1,566	5,961	25	(6,279)	58,613

^ includes fair value loss of \$5.1m

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. SEGMENT INFORMATION (continued)

	Core Segments					Non Core Segments			Unallocated/ Eliminations	Consolidated
	Property	Funds Management	Property Ventures	Storage	Total Core Segments	AHF	ADIFII	AMSHT		
Half-year ended 31 Dec 2012	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Finance costs					(21,551)	(6,843)	(6,000)	(2,066)	5,761	(30,699)
Profit / (loss) before tax					35,789	(5,277)	(39)	(2,041)	(518)	27,914
Income tax benefit / (expense)					(2,778)	(410)	52	-	-	(3,136)
Net profit / (loss) for the period					33,011	(5,687)	13	(2,041)	(518)	24,778
less non-controlling interest					(1,526)	(991)	-	1,427	-	(1,090)
Net profit / (loss) for the period attributable to members of the Group					31,485	(6,678)	13	(614)	(518)	23,688

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. SEGMENT INFORMATION (continued)

	Core Segments					Total	Non Core Segments					Consolidated
	Property	Funds Management	Property Ventures	Storage	Unallocated		AHF	ADIFII	AMSHT	AWLF	Eliminations	
Half-year ended 31 Dec 2013	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	114,138	-	49,418	-	46,458	210,014	18,151	25,965	61,135	12,340	(1,682)	325,923
Non-current assets												
Investment properties	717,058	-	-	393,769	-	1,110,827	-	153,873	-	-	-	1,264,700
Inventory	3,451	-	60,698	-	-	64,149	-	-	-	22,902	(3,015)	84,036
Property, plant & equipment	3,557	-	-	1,717	-	5,274	148,000	-	-	13	-	153,287
Other	127,139	151,696	198,682	-	37,324	514,841	2,770	24	-	-	(172,396)	345,239
Total assets	965,343	151,696	308,798	395,486	83,782	1,905,105	168,921	179,862	61,135	35,255	(177,093)	2,173,185
Current liabilities	12,624	3,080	5,622	7,527	59,466	88,319	70,647	2,964	35,395	623	-	197,948
Non-current liabilities	614	46,112	273	341	558,740	606,080	120,741	173,369	18,610	50,206	(227,816)	741,190
Total liabilities	13,238	49,192	5,895	7,868	618,206	694,399	191,388	176,333	54,005	50,829	(227,816)	939,138
Net assets	952,105	102,504	302,903	387,618	(534,424)	1,210,706	(22,467)	3,529	7,130	(15,574)	50,723	1,234,047

The presentation of the core segments reflects the adjustments arising from the adoption of AASB10 and is consistent with the reporting to the CODM.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. SEGMENT INFORMATION (continued)

	Core Segments					Total	Non Core Segments					Consolidated
	Property	Funds Management	Property Ventures	Storage	Unallocated		AHF	ADIFII	AMSHT	AWLF*	Eliminations	
Half-year ended 30 June 2013	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	110,671	-	67,179	-	46,428	224,278	15,758	6,689	62,214	10,978	(745)	319,172
Non-current assets												
Investment properties	669,297	-	-	371,558	-	1,040,855	-	180,540	-	-	-	1,221,395
Inventory	-	-	72,905	-	-	72,905	-	-	-	21,072	(2,035)	91,942
Property, plant & equipment	4,690	-	-	1,778	-	6,468	145,620	-	-	12	-	152,100
Other	136,463	135,892	184,512	-	41,211	498,078	3,062	110	-	-	(158,059)	343,191
Total assets	921,121	135,892	324,596	373,336	87,639	1,842,584	164,440	187,339	62,214	32,062	(160,839)	2,127,800
Current liabilities	13,357	13,968	31,826	8,016	40,682	107,849	67,790	35,388	35,682	173	-	246,882
Non-current liabilities	568	35,376	253	316	603,773	640,286	117,798	150,758	20,348	48,053	(224,145)	753,098
Total liabilities	13,925	49,344	32,079	8,332	644,455	748,135	185,588	186,146	56,030	48,226	(224,145)	999,980
Net assets	907,196	86,548	292,517	365,004	(556,816)	1,094,449	(21,148)	1,193	6,184	(16,164)	63,306	1,127,820

* AWLF was consolidated by the Group on 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

4. EXPENSES

	31 Dec 2013	31 Dec 2012
	\$'000	\$'000
(a) Cost of inventory sales		
Acquisition and holdings costs	69,823	31,472
Additional development costs*	-	12,376
Total cost of inventory sales	69,823	43,848

* Co-owner contribution to the Lewisham residential development.

(b) Finance costs		
Interest on loans	26,217	28,402
Amortisation of finance costs	1,360	2,297
Total finance costs	27,577	30,699

5. DISTRIBUTIONS PAID AND PROPOSED

	31 Dec 2013	31 Dec 2012
	\$'000	\$'000
Abacus		
(a) Distributions paid during the period		
June 2013 half: 8.25 cents per stapled security (2012: 8.25 cents)	37,376	35,886
(b) Distributions proposed and not recognised as a liability*		
December 2013 half: 8.25 cents per stapled security (2012: 8.25 cents)	40,836	36,702

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

*The interim distribution of 8.25 cents per stapled security was declared on 13 January 2014. The distribution being paid on or about 27 February 2014 will be approximately \$40.8 million. No provision for the distribution has been recognised in the balance sheet at 31 December 2013 as the distribution had not been declared by the end of the half-year.

	31 Dec 2013	31 Dec 2012
	\$'000	\$'000
Non-core funds		
(a) Distributions paid during the period		
Abacus Hospitality Fund	490	1,108
Abacus Diversified Income Fund II	1,215	1,146
Abacus Miller Street Holding Trust	214	214
	1,919	2,468
(b) Distributions proposed and recognised as a liability		
Abacus Hospitality Fund	245	552
Abacus Diversified Income Fund II	1,225	1,151
Abacus Miller Street Holding Trust	214	214
	1,684	1,917

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

6. INVESTMENT PROPERTIES

	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
Investment properties held for sale		
Retail	39,450	69,710
Office	126,705	93,000
Industrial	20,500	13,000
Total investment properties held for sale	186,655	175,710

	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
Investment properties		
Retail	337,229	266,249
Office	301,650	362,279
Industrial	208,201	198,083
Storage	393,770	371,558
Other	23,850	23,226
Total investment properties	1,264,700	1,221,395
Total investment properties including held for sale	1,451,355	1,397,105

The current investment properties represent 12 properties which are either subject to a sales contract or an active sales campaign and are expected to be sold by 31 December 2014.

Reconciliation

A reconciliation of the carrying amount of investment properties excluding properties held for sale at the beginning and end of the half-year is as follows:

	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
Carrying amount at beginning of the financial period	1,221,395	1,181,203
Additions and capital expenditure	111,727	113,133
Fair value adjustments for properties held at balance date	4,111	3,914
Disposals	(11,650)	(15,404)
Effect of movements in foreign exchange	7,007	5,115
Properties transferred to held for sale	(73,200)	(92,950)
Transfers	5,310	26,384
Carrying amount at end of the financial period	1,264,700	1,221,395

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.

Investment properties are independently valued on a staggered basis every two years unless the underlying financing requires a more frequent independent valuation cycle. The key underlying assumptions, on a portfolio basis, contained within the independent and director valuations above are as follows:

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER 2013****6. INVESTMENT PROPERTIES (continued)****Abacus***

- A weighted average capitalisation rate for Abacus is 8.57% (30 June 2013: 8.67%) and for each category is as follows;
 - Retail – 7.89% (30 June 2013: 7.89%)
 - Office – 8.24% (30 June 2013: 8.51%)
 - Industrial – 9.66% (30 June 2013: 9.81%)
 - Storage – 9.12% (30 June 2013: 9.20%)
 - Other – 6.84% (30 June 2013: 7.49%)
- The current occupancy rate for the portfolio excluding development and self-storage assets is 94.2% (30 June 2013: 92.8%). The current occupancy rate for self-storage assets is 84.4% (30 June 2013: 81.8%).
- A weighted average rent review for the 12 months to 31 December 2013 of 3.5% (30 June 2013: 4.0%).

During the period ended 31 December 2013, 19% of the number of properties in the portfolio was subject to external valuations, the remaining 81% was subject to internal valuation.

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust and Abacus Wodonga Land Fund

Abacus Diversified Income Fund II

- A weighted average capitalisation rate for each category is as follows;
 - Office – 10.28% (30 June 2013: 10.41%)
 - Industrial – 9.07% (30 June 2013: 8.85%)
- The current occupancy rate for the portfolio is 92% (30 June 2013: 95%).
- A weighted average rent review for the 12 months to 31 December 2013 of 3.04% (30 June 2013: 3.48%)

During the period ended 31 December 2013, 100% of the property portfolio was subject to internal valuation.

Abacus Miller Street Holding Trust

- A capitalisation rate of 8.75% (30 June 2013: 8.75%)
- The current occupancy rate of the property is 92.8% (30 June 2013: 100%).
- A weighted average rent review for the 12 months to 31 December 2013 of 4.0% (30 June 2013: 4.0%)

The property was internally valued as at 31 December 2013.

The independent and director valuations are based on common valuation methodologies including capitalisation and discounted cash flow approaches, which have regard to recent market sales evidence. Accordingly, the directors' valuations at 31 December 2013 have regard to market sales evidence in adopting a market valuation for each property including the key assumptions outlined.

The majority of the investment properties are used as security for secured bank debt.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

7. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2013 \$'000	30 Jun 2013 \$'000
Land and buildings		
At 1 July, net of accumulated depreciation	137,649	138,412
Additions	1,901	5,976
Revaluations	(2,236)	(7,260)
Effect of movements in foreign exchange	2,506	2,068
Depreciation charge for the period	(573)	(1,547)
At 31 December, net of accumulated depreciation	139,247	137,649
Gross value	153,607	151,436
Accumulated depreciation	(14,360)	(13,787)
Net carrying amount at end of period	139,247	137,649
Plant and equipment		
At 1 July, net of accumulated depreciation	14,451	15,653
Additions	1,201	1,792
Disposals	-	(39)
Effect of movements in foreign exchange	(19)	35
Depreciation charge for the period	(1,593)	(2,990)
At 31 December, net of accumulated depreciation	14,040	14,451
Gross value	40,406	38,769
Accumulated depreciation	(26,366)	(24,318)
Net carrying amount at end of period	14,040	14,451
Total	153,287	152,100

	31 Dec 2013 \$'000	30 Jun 2013 \$'000
Property, plant and equipment		
Hotel properties ⁽¹⁾	150,932	149,820
Storage properties	1,718	1,778
Office equipment / furniture and fittings	637	502
Total property, plant and equipment	153,287	152,100

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

8. PROPERTY LOANS AND OTHER FINANCIAL ASSETS

	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
(a) Current property loans		
Secured loans - amortised cost ⁽ⁱ⁾	-	2,047
Interest receivable on secured loans - amortised cost	-	405
	-	2,452
(b) Non-current property loans		
Secured loans - amortised cost ⁽ⁱ⁾	133,715	116,404
Interest receivable on secured loans - amortised cost	26,948	21,966
	160,663	138,370
(c) Non-current other financial assets		
Investments in securities - unlisted - fair value	5,146	4,642
Other financial assets - fair value ⁽ⁱⁱ⁾	23,640	23,640
	28,786	28,282

- (i) Mortgages are secured by real property assets. There are no current facilities scheduled to mature and realise on or before 31 December 2014 and the non-current facilities will mature between 1 January 2015 and 24 December 2018.
- (ii) Abacus enters into loans and receivables with associated options that provide for a variety of outcomes including repayment of principal and interest, satisfaction through obtaining interests in equity or property or combinations thereof. At the end of the period, the maximum exposure to credit risk in relation to these instruments was \$23.6 million (30 June 2013: \$23.6 million).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 Dec 2013 \$'000	30 Jun 2013 \$'000
Investment in joint ventures	114,874	124,458
	114,874	124,458

(a) Details of Joint Ventures

		ownership interest		carrying value	
		31 Dec 2013	30 Jun 2013	31 Dec 2013	30 Jun 2013
	Principal Activity	%	%	\$'000	\$'000
309 George St JV Trust	Property investment	25	25	10,323	10,245
111 Quay St Unit Trust	Property investment	50	-	-	-
Abacus Aspley Village Trust ⁽¹⁾	Property investment	-	33	-	7,476
Abacus Rosebery Property Trust	Property development	50	50	-	1,697
Abwill 350 George St Trust	Property development	50	50	5,019	6,371
Australian Aggregation Head Trust	Property investment	25	25	28,435	27,925
Birkenhead Point Marina Pty Ltd ⁽²⁾	Marina operator	50	50	99	80
Fordtrans Pty Ltd (Virginia Park)	Property investment	50	50	61,716	61,399
Hampton Residential Retirement Trust	Property development	50	50	4,248	4,255
Jack Road Investments Unit Trust	Property development	50	50	4,350	4,350
Jigsaw Trust (non operating)	Investment	50	50	-	-
Pakenham Valley Unit Trust	Land subdivision	50	50	21	21
Queensberry Street Carlton Unit Trust	Property development	50	50	-	-
The Abacus Colemans Road Trust	Property development	50	50	-	-
The Mount Druitt Unit Trust	Property investment	50	50	663	639
The Tulip Unit Trust	Property development	50	50	-	-
				114,874	124,458

(1) The remaining interest in the joint venture was acquired by Abacus during the period and the property is now classified as an investment property.

(2) Operates the marina adjacent to the Birkenhead Point Shopping Centre in Drummoyne NSW.

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

	31 Dec 2013 \$'000	31 Dec 2012 \$'000
Revenue	42,425	83,738
Expenses	(28,201)	(79,161)
Net profit	14,224	4,577
Share of net profit	3,820	1,243

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

(c) Extract from joint ventures' balance sheets

	31 Dec 2013 \$'000	30 Jun 2013 \$'000
Current assets	30,362	41,413
Non-current assets	550,634	572,535
	580,996	613,948
Current liabilities	(18,685)	(18,098)
Non-current liabilities	(250,622)	(239,813)
	(269,307)	(257,911)
Net assets	311,689	356,037
Share of net assets	114,874	124,458

(d) Material investments in joint ventures

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

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

VP owns a sizeable Business Park providing a mixture of industrial and office buildings as well as supporting facilities including gymnasium, swim centre, child care centre, children's play centre, cafe, yoga centre and martial arts centre. The site has recently been enhanced following the purchase of a neighbouring site that offers expansion potential and residential opportunity.

Abacus jointly controls the venture with the other partner under the terms of Unitholders Agreement and requires unanimous consent for all major decisions over the relevant activities.

Abacus' share of income (including distributions) for the period ended 31 December 2013 was \$2.07 million (31 December 2012: \$2.46 million).

Summarised financial information is as follows:

	31 Dec 2013 \$'000	30 Jun 2013 \$'000
Cash & cash equivalents	718	843
Other current assets	17,982	15,745
Total current assets	18,700	16,588
Total non-current assets	176,974	176,783
Total assets	195,674	193,371
Other current liabilities	6,968	6,188
Total current liabilities	6,968	6,188
Non-current financial liabilities	65,274	64,732
Total non-current liabilities	65,274	64,732
Total liabilities	72,242	70,920
Net assets	123,432	122,451

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)**Fordtrans Pty Ltd (Virginia Park) ("VP") (continued)**

Summarised Statement of Comprehensive Income is as follows:

	31 Dec 2013	31 Dec 2012
	\$'000	\$'000
Revenue	6,813	6,548
Interest income	1,724	1,712
Interest expense	(2,219)	(2,246)
Profit before tax	4,141	4,563
Income tax expense	-	-
Total comprehensive income	4,141	4,563

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

10. FINANCIAL INSTRUMENTS

Fair values

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

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

- a) Level 1 Quoted prices (unadjusted) in active markets for identical assets;
- b) Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly; and
- c) Level 3 Inputs for the asset that are not based on observable market data.

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2013.

	Level 1	Level 2	Level 3	Total
31 December 2013	\$'000	\$'000	\$'000	\$'000
Current				
Derivative assets	-	788	-	788
Derivative liabilities	-	(561)	-	(561)
Total current	-	227	-	227
Non-current				
Investment in securities - unlisted	-	-	5,146	5,146
Investment in options	-	-	23,640	23,640
Derivative liabilities	-	(50,934)	-	(50,934)
Total non-current	-	(50,934)	28,786	(22,148)
	Level 1	Level 2	Level 3	Total
30 June 2013	\$'000	\$'000	\$'000	\$'000
Current				
Derivative liabilities	-	(1,263)	-	(1,263)
Total current	-	(1,263)	-	(1,263)
Non-current				
Investment in securities - unlisted	-	-	4,641	4,641
Investment in options	-	-	23,640	23,640
Derivative liabilities	-	(55,942)	-	(55,942)
Total non-current	-	(55,942)	28,281	(27,661)

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

10. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

The following table is a reconciliation of the movements in unlisted securities and options classified as Level 3 for the period ended 31 December 2013.

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

	Unlisted securities \$'000	Options \$'000	Total \$'000
Opening balance as at 30 June 2012	4,490	27,885	32,375
Fair value movement through the income statement	(66)	3,640	3,574
Transfers to investment properties	-	(7,885)	(7,885)
Closing balance as at 31 December 2012	4,424	23,640	28,064

Determination of fair value

The fair value of listed securities is determined by reference to the quoted bid price of the entity at balance date. The fair value of unlisted securities is determined by reference to the net assets of the underlying entities. These entities contain investment properties which are carried at fair value and other items which are a reasonable proxy for fair value.

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

The fair value of the options is determined using generally accepted pricing models including Black-Scholes and adjusted for specific features of the options including share price, underlying net assets and property valuations and prevailing exchange rates.

Sensitivity of Level 3

The potential effect of using reasonable possible alternative assumptions based on a change in the property valuations by 5%, a change in the property capitalisation rate by 0.5% and a change in the unit price of securities of 10% would have the effect of reducing the fair value by up to \$7.4 million (30 June 2013: \$6.5 million) or increase the fair value by \$7.4 million (30 June 2012: \$6.5 million).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

11. INTEREST BEARING LOANS AND BORROWINGS

	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
Abacus*		
Current		
Bank loans - A\$	31,770	8,600
Other loans - A\$	22,007	31,367
Less: Unamortised borrowing costs	(138)	-
	53,639	39,967
Abacus Hospitality Fund		
Current		
Bank loans - A\$	36,740	36,740
Bank loans - A\$ value of NZ\$ denominated loan	23,502	21,538
Less: Unamortised borrowing costs	(117)	-
	60,125	58,278
Abacus Diversified Income Fund II		
Current		
Bank loans - A\$	-	32,189
Less: Unamortised borrowing costs	-	(106)
	-	32,083
Abacus Miller Street Holding Trust		
Current		
Bank loans - A\$	34,000	34,000
Less: Unamortised borrowing costs	(19)	(10)
	33,981	33,990
(a) Total current	147,745	164,318

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

11. INTEREST BEARING LOANS AND BORROWINGS

	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
Abacus*		
Non-current		
Bank loans - A\$	458,629	500,548
Bank loans - A\$ value of NZ\$ denominated loan	60,424	55,374
Other loans - A\$	4,292	-
Less: Unamortised borrowing costs	(1,640)	(2,719)
	521,705	553,203
Abacus Hospitality Fund		
Non-current		
Loans from other parties	28,464	27,350
Less: Unamortised borrowing costs	-	(235)
	28,464	27,115
Abacus Diversified Income Fund II		
Non-current		
Bank loans - A\$	75,079	52,349
Less: Unamortised borrowing costs	(457)	(34)
	74,622	52,315
Abacus Wodonga Land Fund		
Non-current		
Bank loans - A\$	6,786	6,657
	6,786	6,657
(b) Total non-current	631,577	639,290

	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
(c) Maturity profile of current and non-current interest bearing loans		
Due within one year	152,311	164,434
Due between one and five years	629,382	642,278
Due after five years	-	-
	781,693	806,712

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

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER 2013****11. INTEREST BEARING LOANS AND BORROWINGS (continued)****Abacus***

Abacus maintains a range of interest-bearing loans and borrowings. The sources of funding are spread over a number of counterparties and the terms of the instruments are negotiated to achieve a balance between capital availability and cost of debt.

Bank loans are \$A and \$NZ denominated and are provided by several banks at interest rates which are set periodically on a floating basis. The loans term to maturity varies from May 2014 to April 2016. The bank loans are secured by charges over the investment properties, certain inventory and certain property, plant and equipment.

Approximately 49% (30 June 2013: 83%) of bank debt drawn was subject to fixed rate hedges with a weighted average term to maturity of 1.6 years (30 June 2013: 2.1 years). Hedge cover as a percentage of available facilities at 31 December 2013 is 35.1% (30 June 2013: 59.5%).

Abacus' weighted average interest rate as at 31 December 2013 was 5.52% (30 June 2013: 6.05%). Line fees on undrawn facilities contributed to 0.23% of the weighted average interest rate at 31 December 2013 (30 June 2013: 0.47%). Abacus' weighted average interest rate excluding the undrawn facilities line fees as at 31 December 2013 was 5.28% (30 June 2013: 5.58%).

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust and Abacus Wodonga Land Fund

Abacus Hospitality Fund

AHF's \$A and \$NZ bank facility matures in June 2014. The facility is secured by a charge over AHF's hotel assets and at 31 December 2013 approximately 71.3% (30 June 2013: 73.7%) of drawn bank debt facilities were subject to current fixed rate hedges with a weighted average term to maturity of 0.5 years (30 June 2013: 1.0 year).

AHF's weighted average interest rate as at 31 December 2013 was 8.6% (30 June 2013: 8.0%). Line fees on undrawn facilities contributed to 0.51% of the weighted average interest rate at 31 December 2013 (30 June 2013: 0.41%). AHF's weighted average interest rate excluding the undrawn facilities line fees as at 31 December 2013 was 8.04% (30 June 2013: 7.59%).

Abacus Diversified Income Fund II

ADIFII has financed its Australian investment property portfolio via two \$A facilities provided by two major Australian banks which mature in September 2016 and June 2017 respectively.

The facilities are secured by charges over ADIFII's investment properties and at 31 December 2013 approximately 71.3% (30 June 2013: 92.9%) of drawn bank debt facilities were subject to fixed rate hedges. The bank debt drawn at 30 June 2013 has a weighted average term to maturity of 3.3 years (30 June 2013: 0.9 years).

ADIFII's weighted average interest rate as at 31 December 2013 was 7.98% (30 June 2013: 8.86%). Line fees on undrawn facilities contributed to 0.17% of the weighted average interest rate at 31 December 2013 (30 June 2013: 0.29%). ADIFII's weighted average interest rate excluding the undrawn facilities line fees as at 31 December 2013 was 7.81% (30 June 2013: 8.57%).

Abacus Wodonga Land Fund

The AWLF bank loan is provided by an Australian bank at interest rates that include both fixed and floating arrangements. The loan is denominated in Australian dollars and the term to maturity date is 30 April 2015. The weighted average interest rate of the bank borrowing which is covered by fixed rate hedges was 15.46% at 31 December 2013 (30 June 2013: 12.66%).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

11. INTEREST BEARING LOANS AND BORROWINGS (continued)

Abacus Miller Street Holding Trust

The Miller Street investment property is financed by a major Australian bank via a secured charge. The bank loan is a \$35.0 million facility which expires in March 2014. AMSHT has hedged 97.1% of its drawn debt (30 June 2013: 97.1%) and at reporting date AMSHT's weighted average interest rate was 8.06%. (30 June 2013: 8.09%). Line Fees on undrawn facilities contributed to 0.03% of the weighted average interest rate as at 31 December 2013 (30 June 2013: 0.03%). AMSHT's weighted average interest rate excluding the undrawn facilities line fees as at 31 December 2013 was 8.03% (30 June 2013: 8.06%).

(d) Financing facilities available

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

	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
Abacus		
Total facilities - bank loans	768,821	786,500
Facilities used at reporting date - bank loans	(550,823)	(564,522)
Facilities unused at reporting date - bank loans	217,998	221,978
Abacus Hospitality Fund		
Total facilities - bank loans	83,412	80,724
Facilities used at reporting date - bank loans	(60,242)	(58,278)
Facilities unused at reporting date - bank loans	23,170	22,446
Abacus Diversified Income Fund		
Total facilities - bank loans	96,500	96,500
Facilities used at reporting date - bank loans	(75,079)	(84,538)
Facilities unused at reporting date - bank loans	21,421	11,962
Abacus Miller Street Holding Trust		
Total facilities - bank loans	35,000	35,000
Facilities used at reporting date - bank loans	(34,000)	(34,000)
Facilities unused at reporting date - bank loans	1,000	1,000
Abacus Wodonga Land Fund		
Total facilities - bank loans	12,000	12,000
Facilities used at reporting date - bank loans	(6,786)	(6,657)
Facilities unused at reporting date - bank loans	5,214	5,343

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

11. INTEREST BEARING LOANS AND BORROWINGS (continued)

(e) Assets pledged as security

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

	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
Current		
<i>First mortgage</i>		
Inventory	51,590	72,489
Investment properties held for sale	186,655	175,710
Total current assets pledged as security	238,245	248,199
Non-current		
<i>First mortgage</i>		
Freehold land and buildings	4,897	6,216
Property, plant and equipment	148,000	145,620
Inventory	54,101	58,422
Investment properties	1,198,042	1,194,931
Total non-current assets pledged as security	1,405,040	1,405,189
Total assets pledged as security	1,643,285	1,653,388

(f) Defaults and breaches

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

12. CONTRIBUTED EQUITY

	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
(a) Issued stapled securities		
Stapled securities	1,402,313	1,308,406
Issue costs	(40,834)	(40,025)
Total contributed equity	1,361,479	1,268,381

(b) Movement in stapled securities on issue

	Stapled securities	
	Number	Value
	'000	\$'000
At 30 June 2013	453,040	1,268,381
- equity raisings	33,482	75,000
- distribution reinvestment plan	8,458	18,905
- less transaction costs	-	(807)
Securities on issue at 31 December 2013	494,980	1,361,479

13. EARNINGS PER STAPLED SECURITY

	31 Dec 2013	31 Dec 2012
Basic and diluted earnings per stapled security (cents)	10.13	5.35
Reconciliation of earnings used in calculating earnings per stapled security		
<i>Basic and diluted earnings per stapled security</i>		
Net profit (\$'000)	47,345	23,688
Weighted average number of shares:		
Weighted average number of stapled securities for basic earning per security ('000)	467,436	442,453

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

14. CAPITAL MANAGEMENT

Abacus*

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

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

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

Since the end of the half-year, Abacus renewed the \$200.0m storage facility to October 2018.

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

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

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust and Abacus Wodonga Land Fund

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

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

1. There are no market capitalisation covenants.

2. Condition of the current \$400m Syndicated facility, \$80m Working Capital facility and the \$70m Bilateral facility.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

14. CAPITAL MANAGEMENT (continued)

Consolidated Funds

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

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

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

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

Metrics	AHF	ADIFII	AMSHT	AWLF
Nature of facilities	Secured, non recourse	Secured, non recourse	Secured, non recourse	Secured, non recourse
Debt covenants	Compliant	Compliant	Compliant	Compliant

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

15. OTHER FINANCIAL LIABILITIES

Abacus*

Abacus has provided the following guarantees to the ADIFII unitholders:

Unit Type	Cash Distribution Yield Guarantee	Capital Return Guarantee
Class A \$1.00 – Term 1	7.25% pa	\$1.00 per Unit on 30 September 2014
Class A \$1.00 – Term 2	7.50% pa	\$1.00 per Unit on 30 September 2015
Class A \$1.00 – Term 3	7.75% pa	\$1.00 per Unit on 30 September 2016
Class B \$1.00	9% pa plus indexation (indexed in line with inflation in each year after 1 July 2011).	\$1.00 per Unit at Fund termination (no later than 30 June 2017).
Class C \$0.75	9% pa plus indexation (indexed in line with inflation in each year after 1 July 2011).	\$0.75 per Unit at Fund termination (no later than 30 June 2017).

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

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

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

As a result of the consolidation of ADIFII under AASB10 the underwritten capital guarantee results in ADIFII's units on issue being classified as a liability and at the end of the period the value was \$47.2 million (30 June 2013: \$56.3 million). The original Class A guarantee was satisfied on 30 September 2013 by the payment of \$9.1 million.

The offer document for ADIFII was closed in December 2011 and no further equity will be raised. The actual guarantee exposure (if any) will be determined at Fund termination no later than 30 June 2017.

* Excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II, Abacus Miller Street Holding Trust and Abacus Wodonga Land Fund

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

16. COMMITMENTS AND CONTINGENCIES

There are no contingent assets or liabilities at 31 December 2013 other than as disclosed in this report.

17. EVENTS AFTER BALANCE SHEET DATE

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

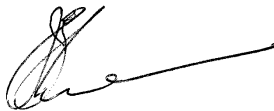
DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including :
 - (i) giving a true and fair view of the financial position as at 31 December 2013 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, 26 February 2014



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 2013, 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 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 2013 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.

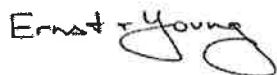
Independence

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 2013 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
26 February 2014