

Appendix 4E

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, Abacus Group Projects Limited and its controlled entities, Abacus Storage Property Trust and its controlled entities and Abacus Storage Operations Limited and its controlled entities)

ABN: 31 080 604 619

Annual Financial Report

For the year ended 30 June 2019

Results for announcement to the market

(corresponding period: year ended 30 June 2018)

Total revenues and other income	down	15%	to	\$388.2m
Net profit after income tax expense attributable to stapled security holders	down	17%	to	\$202.7m
Underlying profit ⁽¹⁾	down	24%	to	\$139.4m
Funds from operations ("FFO") ⁽²⁾	down	24%	to	\$129.2m

- (1) Underlying profit has been prepared in accordance with the AICD / Finsia reporting principles and includes change in fair value of investment properties derecognised.
- (2) 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.

Basic earnings per security (cents)	34.95	42.18
Basic underlying earnings per security [^] (cents)	24.03	31.73
Basic funds from operations per security [^] (cents)	22.28	29.39
Distribution per security (cents - including proposed distribution)	18.50	18.00
Weighted average securities on issue (million)	580.0	577.8
[^] Abacus		

Distributions	per stapled security
June 2019 half year	9.25 cents
This distribution was declared on 21 June 2019 and will be paid on 30 August 2019.	
Record date for determining entitlement to the distributions	28 June 2019

Refer to the attached announcement for a detailed discussion of the Abacus Property Group's results and the above figures for the year ended 30 June 2019.

Details of individual and total distribution payments	per stapled security	Total	
Half December 2018 distribution	paid 28 February 2019	9.25	\$53.6m
The distribution was paid in full by Abacus Trust which does not pay tax, hence there were no franking credits attached.			

Net tangible assets per security ⁽³⁾	30 June 2019	30 June 2018
	\$3.33	\$3.18

- (3) Net tangible assets per security excludes the external non-controlling interest and is adjusted for the recognition of the June 2019 and 2018 distributions.

Distribution Reinvestment Plan (DRP)

The Abacus Property Group DRP allows securityholders to reinvest their distributions into ABP securities. 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 year ended
30 June 2019



ANNUAL FINANCIAL REPORT

30 June 2019

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

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Custodian:

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Directors of Responsible Entities and

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John Thame, Chairman
Steven Sewell, Managing Director
Mark Haberlin
Holly Kramer
Jingmin Qian
Myra Salkinder

Company Secretary:

Robert Baulderstone

Auditor (Financial and Compliance Plan):

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SYDNEY NSW 2000

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It is recommended that this Annual Financial Report should be read in conjunction with the Annual Financial Report of Abacus Trust, Abacus Group Projects Limited, Abacus Income Trust, Abacus Storage Property Trust and Abacus Storage Operations Limited as at 30 June 2019. 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**30 June 2019**

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") present their report for the year ended 30 June 2019.

PRINCIPAL ACTIVITIES

The principal activities of Abacus Property Group during the year were investment in self storage and commercial (office, retail and industrial) properties and property developments. Abacus is well advanced in its strategy to transition to a more consistent annuity style, strong asset backed business.

OPERATING AND FINANCIAL REVIEW

The operating and financial review is intended to convey the Directors' perspective of Abacus Property Group and its operational and financial performance. It sets out information to assist securityholders to understand and interpret the financial statements prepared in accordance with Australian International Financial Reporting Standards ("AIFRS") included in this report. It should be read in conjunction with the financial statements and accompanying notes.

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 \$2.38 billion at 30 June 2019.

Shares in AGHL, AGPL and ASOL and units in AT, AIT and ASPT have been stapled together so that none can be dealt 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.

Abacus Hospitality Fund (AHF)

The only remaining hotel in the fund, Twin Waters on the Sunshine Coast QLD, was sold in August 2018 and the capital has been returned to the securityholders. Accordingly AHF has been treated as a discontinued operation in the financial statements.

Abacus Wodonga Land Fund (AWLF)

AWLF owns the residential estate known as White Box Rise located in Wodonga, Victoria. During the year 77 residential lots were settled for combined proceeds of \$11.2 million. There are approximately 76 lots left to sell in the estate, and these are expected to be sold over the next two years.

AGHL has been identified as the parent entity of the Group. The financial reports of the Group for the year ended 30 June 2019 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 and its controlled entities and Abacus Wodonga Land Fund.

DIRECTORS' REPORT

30 June 2019

OPERATING AND FINANCIAL REVIEW (continued)

The principal activities of Abacus that contributed to its earnings during the year ended 30 June 2019 included:

- investment in self storage and commercial (office, retail and industrial) properties to derive rental and management and other fee income; and
- participation in property developments including lending to derive interest income and development profits.

These activities are reported in the segment information note.

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.

OUR STRATEGY

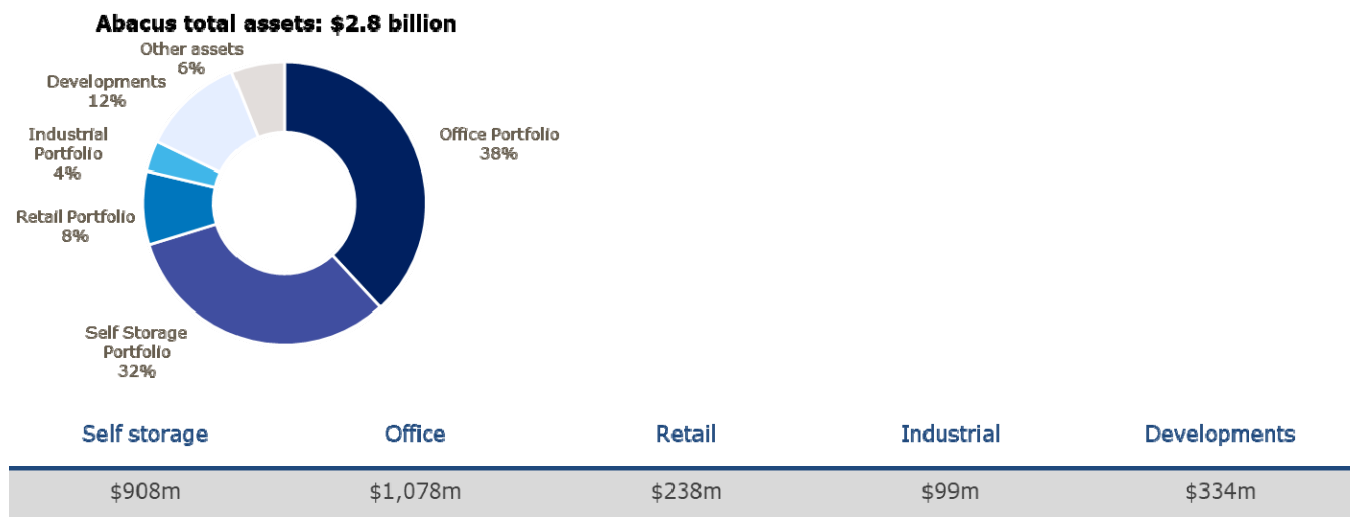
Abacus is transitioning to a more consistent annuity style, strong asset backed business with key investment sectors of commercial office and self storage.

Abacus invests its capital in assets with value add opportunities that are forecast to drive long term total returns and maximise securityholder value. Our investment objective is to provide our investors with reliable and increasing returns. We look for property assets that can provide strong and stable cash-backed distributions from a diversified portfolio that provides genuine potential for enhanced capital and income growth as a result of our diligent active management. Abacus does this through the acquisition, development and active management of property assets. In particular:

- Use of our specialised knowledge, track record and market positioning.
- Continuing to invest in core and core plus property investments that are expected to yield an appropriate risk adjusted return over time.
- Driving value through active management of the asset portfolio.

Abacus has a successful track record of acquiring property based assets and actively managing those assets to enhance income and capital growth. This track record has facilitated joint ventures with a number of sophisticated local and global third party capital providers. Most of our investment success is from assets mostly in major city centres or suburban areas, typically on the eastern seaboard of Australia.

Experience has shown that strict adherence to our fundamental investment criteria enables us to buy assets well and provide opportunities for outperformance while minimising downside risk to equity.



DIRECTORS' REPORT

30 June 2019

OPERATING AND FINANCIAL REVIEW (continued)

GROUP RESULTS SUMMARY

The Board monitors a range of financial information and operating performance indicators to measure performance over time. We use several measures to monitor the financial success of our overall strategy. The key measures are underlying profit and funds from operations ("FFO").

	2019	2018
Revenue (\$ million)	270.4	292.3
Total income (\$ million)	388.2	457.4
Statutory net profit excluding non-controlling interests (\$ million)	202.7	243.7
Underlying profit[^] (\$ million)	139.4	183.3
Underlying profit per security[^] (c)	24.03	31.73
Funds from operations[^] (\$ million)	129.2	169.8
Funds from operations per security[^] (c)	22.28	29.39
Distributions per security[^] (c)	18.50	18.00
Interest cover ratio	6.6x	8.7x
Weighted securities on issue[^] (million)	580.0	577.8

[^] Abacus

The Group earned a statutory net profit excluding non-controlling interests of \$202.7million for the year ended 30 June 2019 (2018: \$243.7 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' FFO of \$129.2 million (2018: \$169.8 million) and underlying profit of \$139.4 million (2018 \$183.3 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.

DIRECTORS' REPORT

30 June 2019

OPERATING AND FINANCIAL REVIEW (continued)

GROUP RESULTS SUMMARY (continued)

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

	2019	2018
	\$'000	\$'000
Consolidated statutory net profit after tax attributable to members of the Group	202,723	243,709
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)	(9,614)	1,169
Net profit attributable to Abacus securityholders	193,109	244,878
Certain significant items:		
Net change in fair value of investment properties and property, plant and equipment held at balance date	(69,640)	(60,724)
Net change in fair value of investments and financial instruments held at balance date	2,332	6,363
Net change in fair value of derivatives	6,750	(730)
Net change in fair value of property, plant and equipment and investment properties included in equity accounted investments	(1,278)	(4,635)
Impairment charges	7,771	-
Net tax expense / (benefit) on significant items	320	(1,831)
Underlying profit attributable to Abacus securityholders	139,364	183,321
Adjust for:		
Net change in fair value of investment properties derecognised	(13,532)	(15,265)
Reversal of impairment of inventory	-	(2,660)
Depreciation on owner occupied property, plant and equipment	1,081	1,090
Amortisation of rent abatement incentives	2,836	1,981
Amortisation of other tenant incentives	1,827	1,646
Straightline of rental income	(4,220)	-
Tax (benefit)/expense on Non-FFO Items	1,870	(323)
Abacus funds from operations ("FFO")	129,226	169,790
	2019	2018
Basic earnings per security (cents)	34.95	42.18
Basic underlying earnings per security [^] (cents)	24.03	31.73
Basic FFO per security [^] (cents)	22.28	29.39
Distribution per security [^] (cents - including proposed distribution)	18.50	18.00
Weighted average securities on issue (million)	580.0	577.8

[^]Abacus

The RBA recently cut interest rates, (both in June and July 2019) to an all time low Official Cash Rate of 1.0%. This decision comes after more than 2½ years in which the cash rate remained steady. This outlook continues to support Australia as an appealing real estate market to global capital seeking high quality assets with attractive yields in a global low yield environment. These conditions saw further cap rate compression across the majority of sectors of the market from traditional asset classes lead by the highest quality of office, retail and industrial through to alternative asset classes of self storage, healthcare facilities, manufactured homes and hotels/pubs. A strong leasing market, particularly in Sydney and Melbourne office markets and general industrial markets during the year also contributed to the attractiveness of real estate assets to domestic and global investors. Increased merger and acquisition activity in the listed real estate markets has also intensified valuations and interest in direct real estate markets. The strength of the market continues despite a backdrop of economic uncertainty and disparate economic activity throughout Australian States.

DIRECTORS' REPORT

30 June 2019

OPERATING AND FINANCIAL REVIEW (continued)

GROUP RESULTS SUMMARY (continued)

The office markets across the eastern seaboard, in particular Sydney and Melbourne have remained very strong delivering exceptional growth in net effective rents and strong valuation growth. The strong markets in Sydney are anticipated to continue as supply continues to remain limited for the next few years. The Melbourne office market is expected to see an elevated level of supply over this same time period however absorption is also expected to remain strong keeping vacancy rates low and provide upward pressure of rents. The Abacus office portfolio is approximately 64% located within these markets.

The self storage markets across Australia and New Zealand continue to experience the impacts from several attempts to consolidate the sector. Following the recent institutionalisation of the market as investors increased their awareness of self storage as a viable asset class resulted in several participants investing heavily into the sector looking to increase their market share of the self storage sector. This increased transactional activity and heightened interest has continued to deliver strong capitalisation rate compression across the sector. It is anticipated this strong market will continue as this alternative asset class benefits from higher passing yields than high quality assets in more traditional sectors.

Australian retail sales continued to grow during the year. A bifurcation in the retail property environment is occurring with high quality assets continuing to be well bid for by the investment market keeping valuations strong in these classes. Super regional assets providing a full experiential shopping offer that dominate their region remain sought after by domestic and international listed and unlisted institutions. Neighbourhood and select sub-regional assets that offer a strong food and service-based tenant offering with limited exposure to tenants exposed to discretionary spending remain in favour with high net worth and listed investors. Changes in consumer behaviour and customer needs are also driving a new era of mixed-use developments.

The investment market for institutional grade industrial product has been strong over the past few years, with landmark assets and portfolios transacting at yields firmer than at previous market peaks. Despite a modest growth outlook and increasing supply side issues, assets with strong covenants and long weighted lease expiries have been well sought after.

During FY19 Abacus continued to focus our investment capital on acquisitions across the self storage and office sectors in line with our capital allocation strategy as we believe they represented the best risk adjusted returns over the investment period. This activity was and will continue to be funded via reduction in retail property investment and the realisation of our development portfolio over the coming years. This strategy is focused on growing the contribution to recurring earnings to fund the Group's targeted distribution growth of 2-3% pa. In FY19, Abacus' net property income increased by 8.4% to \$114.8 million (2018: \$105.9 million).

Abacus continued to expand the office portfolio investment thematic that focuses on CBD and select fringe markets. As a result, we acquired a number of assets including 2 King Street in Fortitude Valley, 28-30 Orwell Street in Potts Point and 459-471 Church Street, Richmond.

In early June 2019 Abacus and Charter Hall Group (collectively "Consortium") together acquired a 19.9% strategic interest in Australian Unity Office Fund (ASX:AOF) for a total consideration of \$95.6 million and announced a non-binding, indicative proposal to acquire all the units in AOF that the Consortium did not already own for \$2.95 cash per unit by way of trust scheme of arrangement. On 3 July 2019, the Consortium increased the price to \$3.04 per unit. The offer price and envisaged structure reflects a further capital commitment of c.\$308 million for Abacus. AOF owns a portfolio of nine office properties located in five Australian capital cities that is consistent with Abacus' investment objectives.

In July 2019 Abacus completed a fully underwritten institutional placement of 63.3 million new ordinary stapled securities at an issue price of \$3.95 per stapled security which raised \$250 million. A Security Purchase Plan ("SPP") has also been offered to eligible securityholders to apply for up to \$15,000 of new securities at \$3.95 per stapled security.

The residential markets in Australia also encountered strong bifurcation of markets with the Melbourne and Sydney markets seeing significant negative capital growth during the period. Pockets of oversupply in Brisbane combined with a reduction in the availability of financing for investors, particularly offshore investors, has slowed settlement and sales rates, increased settlement timeframes and in some cases increased the number of defaults. During the 12 months to 30 June 2019, the Group has continued to reduce its exposure in this market.

DIRECTORS' REPORT

30 June 2019

OPERATING AND FINANCIAL REVIEW (continued)

GROUP RESULTS SUMMARY (continued)

The decrease in the Group's statutory net profit excluding non-controlling interests was principally due to lower returns from:

- the share of profit from equity accounted investments associated with the divestments of 201 Pacific Highway, St Leonards and an office portfolio co-owned with Heitman LLC; and
- reduction in sale of inventory as we continue to wind down the development division.

Key operating metrics of the Group are:

	2019	2018
Total assets (\$ million)	2,827.7	2,795.6
Gearing [^] (%)	24.1	23.3
Net assets* (\$ million)	1,960.7	1,870.1
Net tangible assets* (\$ million)	1,933.6	1,841.7
NTA per security [^] # (\$)	3.33	3.18

[^] Abacus - gearing calculated as debt minus cash divided by total assets minus cash

* Excluding external non-controlling interests of \$4.7 million (2018: \$46.6 million)

Following recognition of June 2019 and 2018 distributions

The increase in net assets of the Group by 5% reflects the increase in fair value of investments and undistributed share of equity accounted income during the year.

Capital management

The Abacus balance sheet remains strong with gearing levels conservative at 24.1%, well within our target gearing limit of 35%. At 30 June 2019, Abacus had \$276 million of available liquidity that provides capacity for use for up to \$483 million of accretive acquisitions. Importantly, post year end Abacus undertook an equity capital raising, further adding to the Group's liquidity balances and increases the acquisition capacity to \$900 million. This represents a significant opportunity to prudently invest and up weight our exposure to office and self storage markets throughout select Australian markets. We view low gearing and high liquidity levels positively as we extend through, what we consider to be the top of the property markets, with the ability to take advantage should opportunities arise. We anticipate Abacus' weighted average interest rate will remain relatively stable as current capacity is utilised and anticipate it should be no greater than 4.0% over the next year.

CORE SEGMENT RESULTS SUMMARY

Business activities that specifically contributed to the Abacus' operating performance and financial condition for the financial year were:

Property Investment

Commercial Portfolio

Abacus' commercial portfolio delivered a segment result of \$91.6 million for the year ended 30 June 2019 which was 23.6% lower than the previous period (2018: \$119.8 million) largely due to a reduction in the share of profit from equity accounted investments associated with the divestments of 201 Pacific Highway, St Leonards and an office portfolio owned with Heitman LLC. The commercial portfolio consists of 34 assets (2018: 35 assets) and had a total value of \$1.4 billion at year end (2018: \$1.5 billion).

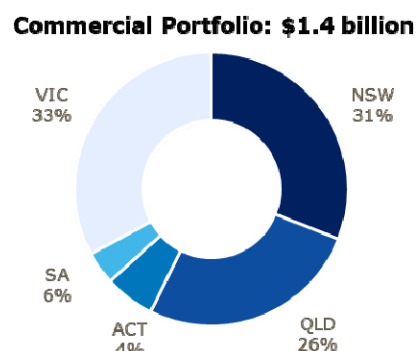
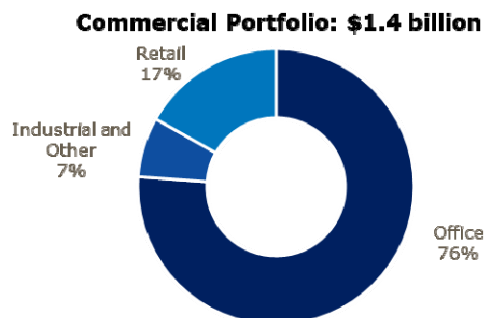
Pursuant to the 2019 portfolio valuation process, 20 out of 31 of the commercial properties (excluding equity accounted properties) or 65% by number were independently valued during the year to 30 June 2019. The remaining properties were subject to internal valuation and, where appropriate, their values were adjusted. The valuation process resulted in a net full year revaluation gain of \$18.2 million (2018: \$18.4 million gain) or 1.5% of commercial portfolio.

DIRECTORS' REPORT

30 June 2019

OPERATING AND FINANCIAL REVIEW (continued)

CORE SEGMENT RESULTS SUMMARY (continued)



Commercial portfolio (office, retail, industrial and other)

	Portfolio	Office	Retail	Industrial
Portfolio value	\$1,414.5 million	\$1,077.4 million	\$237.8 million	\$99.3 million
No. of assets	34	22	4	8
Occupancy (% by area)	91.9%	91.8%	85.9%	96.5%
WALE (yrs by income)	3.7yrs	3.5yrs	4.6yrs	2.3yrs
WACR ¹	5.9%	5.7%	5.8%	7.1%

1. WACR: Weighted Average Capitalisation Rate

During the year Abacus was able to secure several high profile quality commercial properties that met our investment criteria, including:

- 2 King Street, Fortitude Valley QLD for \$170.0 million (Abacus interest 50%), settled August 2018;
- 28-30 Orwell Street, Potts Point NSW for \$18.0 million (Abacus interest 100%), settled February 2019; and
- 459-471 Church Street, Richmond VIC for \$51.0 million (Abacus interest 50%), settled May 2019.

Abacus divested several non-core properties at various stages during the year which included:

- The Village, Bacchus Marsh VIC for \$61.7 million, settled July 2018;
- 79-85 Melville Street, Hobart TAS for \$15.0 million (Abacus interest 50%), settled November 2018;
- 95 Mina Parade, Alderley QLD for \$8.0 million, settled June 2019;
- 169 Varsity Parade, Varsity Lakes QLD for \$14.0 million, settled June 2019; and
- 99 Bathurst Street, Hobart TAS for \$22.4 million (Abacus interest 50%), settled June 2019.

During the year, Abacus also settled the divestment of a 50% interest in two Abacus owned super convenience retail assets being Ashfield Mall in Sydney NSW and Lutwyche City Shopping Centre in Brisbane QLD.

As a result of changes in the portfolio from acquisitions and divestments and a mixed leasing environment across regions the portfolio occupancy increased from 91.3% at 30 June 2018 to 91.9% at 30 June 2019. Pleasingly, like for like rental growth remained strong across our existing and stabilised portfolio to deliver growth of 4.8%. This was largely due to the performance of the Group's property management team (internal and outsourced), leasing of developed assets and in-built annual rental increases.

DIRECTORS' REPORT

30 June 2019

OPERATING AND FINANCIAL REVIEW (continued)

CORE SEGMENT RESULTS SUMMARY (continued)

We believe Abacus' portfolio is suited to the current conditions. The majority of the office portfolio has limited exposure to full floor or multi-floor tenants and is configured more for multi-tenanted floors. We have found the potential cost (financial and time) of relocating to another property in the same location often outweighs the benefit of a cheaper rent elsewhere. Our tenants are also strongly connected to the property's location, which is traditionally the reason they initially leased the property and results in a positive predisposition to remain. Due to the multi-tenanted floor structure, we also have the ability to work proactively with our tenants to contract or expand and adjust their space requirements. Alongside the market, Abacus has also been a beneficiary of the stronger leasing environment with the strong re-leasing spreads across new and renewing leases, particularly in the Sydney CBD. As a result of current market conditions and a shift in future expectations in the office sector, Abacus has targeted assets that offer more stabilised income streams with longer dated value enhancing strategies. This capital allocation strategy supports our drive to improve recurring earnings to support our distribution policy to securityholders.

Abacus' retail portfolio is currently development focused as all assets are at some stage of redevelopment to support our retail thematic of "super convenience retail". The thematic supports assets that incorporate up to three national brand supermarkets with a heavy focus on food, services and minimal exposure to discretionary retail tenancies that enable centres to control their catchment and limit the impact from shifting trends in shoppers activities highlighted by an increase in online shopping for discretionary retail. Assets that are considered non-core to this strategic thesis have and will be sold. Abacus has formed joint venture / capital partnership relationships with likeminded institutions that share our vision of super convenience retail assets.

Self storage

Abacus' self storage portfolio delivered a segment result of \$100.5 million for the year ended 30 June 2019. This represents a 3% increase on the FY18's result of \$97.7 million and can be attributed to increases in self storage EBITDA. Portfolio assets totalled \$908 million across a total portfolio of 70 assets, an increase of eight facilities during the period.

Pursuant to the 2019 valuation process 36 self storage facilities out of 70 or 51% by number were independently valued during the year to 30 June 2019. The remaining facilities were subject to internal valuation and, where appropriate, their values were adjusted. The valuation process resulted in a net full year revaluation gain of \$51.4 million (2018: \$42.4 million gain) or 6.5% of investment properties.

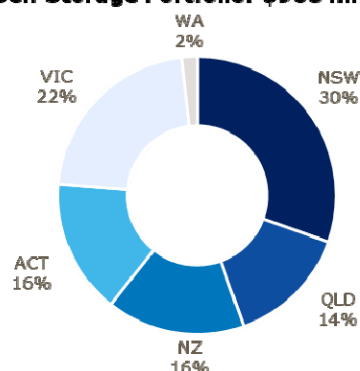
The self storage portfolio is well diversified in Australia and New Zealand.

Self storage

Portfolio value	\$908.3 million
No. of assets	70
Occupancy ¹ (% by area)	88.5%
WACR ^{1,2}	6.9%
RevPAM ^{1,3}	\$251 psqm
Average rate ^{1,4}	\$283 psqm

1. Stabilised portfolio
2. WACR: Weighted Average Capitalisation Rate
3. Revenue per available square metre
4. Average over last 12 months (by area)

Self Storage Portfolio: \$908 million



DIRECTORS' REPORT

30 June 2019

OPERATING AND FINANCIAL REVIEW (continued)

CORE SEGMENT RESULTS SUMMARY (continued)

The Group has continued with its stated strategy of allocating investment capital to growing exposure to the self storage sector. Abacus remains committed to growing the asset base while ensuring the portfolio is operating as efficiently and profitably as possible. The Group acquired seven operating stores as well as one site for development into a self storage facility that should begin to deliver returns to the portfolio in the next few years. We remain committed to growing our presence in metropolitan areas.

The storage portfolio's stabilised assets are the key contributor to underlying growth across the portfolio. The storage portfolio continues to deliver improved operating performances across Australian and New Zealand markets. The reduction in the stabilised portfolio's occupancy to 88.5% from 89.4% was offset by the average rental rate increasing to \$283/m² from \$277/m². This increased the portfolio's revenue per available metre (RevPAM) to \$251/m² from \$248/m² in 2019, a 1.2% increase assuming a stabilised New Zealand exchange rate. RevPAM measures the profitability and efficiency of the portfolio.

The portfolio's development pipeline of non-self storage or non-stabilised assets currently numbers 8 assets valued at \$71 million. These assets are at various stages of development or occupancy/rate stabilisation and are anticipated to be delivered to the stabilised portfolio over the next few years as they reach established occupancy levels. We anticipate these assets to enhance the average rental rate and RevPAM across the stabilised portfolio at this time.

Developments

The developments business delivered an reduced segment result of \$51.8 million (2018: \$85.6 million) as we continue to wind down this part of the business. The business invests in projects and provides finance solutions that focus on select residential and commercial development opportunities in core locations and with experienced local joint venture partners. Abacus has total assets of \$334 million invested across a number of residential developments in capital city markets across the eastern seaboard of Australia.

In the past 12 months, Abacus continued to settle on its completed residential apartment stock as well as divesting a portfolio of three residential projects to an offshore property group for circa book value; demonstrating delivery of Abacus' strategic objective of reducing exposure to residential. As at 30 June 2019:

- Ashfield Central, Ashfield NSW settled all 101 apartments.
- One A, Erskineville Sydney NSW settled all 175 apartments.
- Ivy and Eve, Brisbane QLD settled 456 out of 476 apartments across two buildings in the inner-city suburb of South Brisbane. The project is a joint venture with City Developments Limited, a Singaporean developer and Kilcor Properties. We are confident of settling the remaining apartments in FY20.

Further, Abacus also has a number of ventures that own land sites, across the Metropolitan Sydney area, undergoing residential rezoning. The timeframe to work through the rezoning of non-residential zoned land is uncertain and complex. This is the reason it is possible to derive higher risk adjusted returns through projects of this type. Timeframes can be disrupted through unpredictable changes in local council and state governments and can affect Abacus' ability to accurately forecast when projects will be realised.

DIRECTORS' REPORT

30 June 2019

OPERATING AND FINANCIAL REVIEW (continued)

FUTURE PROSPECTS AND RISKS

Following a review of current market conditions, project status and outlook, Abacus has refined its strategic direction giving prominence to sectors where we have a clear competitive advantage. Abacus' future capital allocation framework will focus heavily upon increasing our exposure to the self storage and office markets while reducing our exposure to retail and residential markets at this point in the cycle. This strategy will target longer dated core plus office assets that we can develop into core assets that Abacus is happy to hold for the longer term. Increasing exposure to these asset classes will enhance our ability to grow recurring revenue sources to maintain the Group's targeted distribution growth of 2-3% pa.

This investment strategy will continue to be funded via the realisation of our residential developments over the coming years and reducing our exposure to retail based assets at this point in the cycle. Abacus has had a successful start to this strategy through project and asset realisations and acquisitions that have delivered its strong results through FY19.

Abacus held elevated levels of acquisition capacity at 30 June 2019 that were substantially increased following an equity capital raising post balance date increasing the Group's capacity to over \$900 million. This provides excellent opportunity to take advantage of prospects in the self storage and office markets as markets move into the next stage of the cycle. This capacity can be further leveraged to invest in a larger number of projects through joint venture arrangements.

Recurring underlying earnings should continue to increase over the coming year as the Group sources additional acquisitions and an increased level of rental income as assets currently under development come on line. Growth in revenue through further acquisitions will be driven or limited by our ability to access new opportunities that deliver our required equity returns in markets that are continuing to show signs of strong pricing. The different characteristics of each leasing market, particularly office sectors across different states, have the potential to increase volatility in rental revenue.

Abacus is likely to reduce its exposure to returns from realisation of assets as it completes its reweighting and renewal program. While this will impact on underlying profit in the short term the Group will benefit from growing recurring earnings.

A number of legacy residential construction projects were sold/completed in FY19 and while the sector continues to face substantial headwinds including reduced access to finance for purchasers and several pockets of oversupply, it is likely that Abacus will be able to achieve forecast returns on its projects, and also review and possibly reduce its commitment to future residential projects at this stage. In our lending business, Abacus has a portfolio of joint ventures and loans to developers, covering land to be rezoned and developed into residential. Abacus is actively exploring opportunities to realise a number of these projects in the near term to reduce our exposure to residential markets. The contribution to earnings from finance income is directly correlated to the levels of loans extended to borrowers, and this has potential to reduce as the current pipeline of assets is realised.

DIRECTORS' REPORT

30 June 2019

OPERATING AND FINANCIAL REVIEW (continued)

FUTURE PROSPECTS AND RISKS (continued)

There are a number of risk factors associated with property-related businesses that may have an impact on the financial prospects of Abacus. Some of the key risks are outlined below. This outline is not exhaustive, and performance may be affected adversely by any of these risk and other factors.

- **Strategic Investment Performance** – Prevailing economic conditions, changing capitalisation rates and/or failure to predict the market or invest in appropriate sectors can impact the value of our assets and our financial performance. Setting the appropriate strategic direction for the business will assist in mitigating against unfavourable business outcomes as a result of prevailing investment conditions. Abacus has a number of approaches to the management of this risk including:

- active Investment Committee which is governed by a charter;
- regular Board reporting which includes stress testing;
- due diligence processes;
- performance evaluation processes;
- analysis of macro-economic and property sector trends;
- forecasting processes;
- market conditions monitoring; and
- valuation process consistent with the valuation policy.

Abacus recognises that its strategic goals, objectives and business plans are key drivers in determining the overall appetite for risk and that it is not possible, or necessarily desirable, to eliminate every risk inherent in its business activities. There is also acceptance of some risks such as economic conditions and the regulatory environment which are not within its ability to control.

- **Operational** – The failure to achieve financial targets due to inadequate or failed internal processes, people or systems. Appropriate internal operational control allows Abacus to manage investment and key operational processes (leasing, tenant management, property and building management, management of service providers). Effective operational control results in appropriate management of future financial performance. Abacus has several approaches to management of operational control including:
 - appropriate human resourcing and experience;
 - active Investment Committee which is governed by a charter;
 - due diligence processes;
 - forecasting and budgeting processes;
 - credit control;
 - performance evaluation of external service providers; and
 - insurance.
- **Climate Change** – Abacus may be exposed to unforeseen material environmental risk or the impact of climate change over time. Environmental and climate change related events have the potential to damage our assets, disrupt operations and impact the health and wellbeing of our people and communities. Abacus believes that integrating sustainability issues into our investment decision making and business operations is congruent with the responsibility we have to our stakeholders and is critical to Abacus achieving its long-term goals. Abacus continues to develop the appropriate strategies to protect its properties and mitigate the risks of climate change. Environmental issues are incorporated into our decision-making process when acquiring properties and as part of the ongoing management of each property. We manage this risk through the due diligence process undertaken with each acquisition. Key environmental concerns are reported to the Investment Committee and the Board as part of the governance framework. Environmental risks associated with each property are monitored as part of the Group's asset management processes.

DIRECTORS' REPORT

30 June 2019

OPERATING AND FINANCIAL REVIEW (continued)

FUTURE PROSPECTS AND RISKS (continued)

- **Capital markets and treasury risk** – Changing debt and equity market conditions can affect our ability obtain timely and appropriately priced capital which may prevent us achieving our business and investment objectives. Abacus utilises capital and treasury risk management measures including:
 - capital management processes to monitor, manage and stress test interest rate, funding, liquidity and credit risk with regular reporting to the Treasury Management Committee and the Board;
 - a treasury policy and procedures;
 - external treasury advisor; and
 - effective relationship with a range of banks and access to alternate funders;
- **Health and safety** – Maintaining the health, safety and wellbeing of our people is of paramount importance to Abacus. We recognise the fundamental right of all workers and those affected by our operations to a safe and healthy environment. Abacus strives, through a process of continuous improvement, to integrate safety and health into all aspects of its activities. We aim to achieve and sustain zero harm in the workplace through the application of risk management principles, effective stakeholder engagement and continuously improving our systems of work and organisational practice to empower all to work safely. We focus on maintaining a safety-aware culture and ensuring proper standards of workplace health and safety for our employees and other key stakeholders visiting or working at our properties.
- **People and culture** – Attracting, engaging and retaining talented people is fundamental to delivering our strategic objectives. Abacus has and is continuing to evolve a range of initiatives designed to ensure the most appropriate corporate culture and capabilities are in place to deliver on our strategic business objectives. These initiatives include:
 - a commitment to diversity and inclusion ensuring collective perspectives are valued;
 - recognising the benefits of creating an inclusive workplace;
 - encouraging flexible work practices that are supported by necessary systems and processes;
 - code of conduct and whistle-blower program; and
 - performance appraisal and training programs.
- **Technology and cyber security** – Inadequate technology systems and controls could result in a loss of data which could impact the business and its reputation. Abacus has a technology governance framework in place which is designed to address privacy, network security, business continuity and incident response. The technology governance is designed to protect, manage and configure network devices and to detect and respond to network threats and to ensure a consistent and effective approach to management of security incidents.

DIRECTORS' REPORT

30 June 2019

OPERATING AND FINANCIAL REVIEW (continued)**DIRECTORS AND SECRETARY****Board renewal**

Over past two years the Abacus Board has been going through a renewal process, with the appointment of three new non-executive independent directors. In May 2019 the Board announced that Myra Salkinder would succeed John Thame as Chair of the Board effective 1 September 2019.

Myra Salkinder has been a director since 2011 and has been integrally involved in Abacus' strategic direction, several major transactions and most recently the new Managing Director transition.

John Thame has been a Director and Chair since 2002 and led Abacus through a period of significant growth and activity.

The qualifications, experience and special responsibilities of the Directors and Company Secretary are as follows:

John Thame AIBF, FCPA Chairman (non-executive)

John has over 30 years' experience in the retail financial services industry in senior management positions. His 26-year career with Advance Bank included 10 years as Managing Director until the Bank's merger with St George Bank Limited in 1997. John was Chairman (2004 to 2008) and a director (1997 to 2008) of St George Bank Limited and St George Life Limited.

John is a member of the Audit & Risk, People Performance, Nomination and Compliance Committees.

Tenure: 16 years (All as Chairman)

Steven Sewell BSc Managing Director

Steven joined Abacus in October 2017 bringing over 17 years' experience in real estate funds management, asset management, equity and debt capital markets and M&A transactions. Steven's prior career experience is across various real estate sectors, and importantly provides a valuable insight and connection to institutional investors, the whole Group's business and investment strategies, capital allocation and developing third party capital relationships. Steven was appointed Managing Director elect in January 2018 and appointed to the role permanently in April 2018.

Tenure: 1 year

Myra Salkinder MBA, BA

Myra is a Non-Executive Director and is a senior executive of the Kirsh Group. She has been integrally involved over many years with the continued expansion of the Kirsh Group's property and other investments, both in South Africa, Australia and internationally. Myra is a director of various companies associated with the Kirsh Group worldwide.

Myra is a member of the People Performance, Nomination and Compliance Committees.

Tenure: 8 years

Mark Haberlin BSc (Eng) Hons, FCA

Mark is a Non-Executive Director and joined the Board in November 2018. He has significant expertise in fields that cover accounting and audit, capital transactions, mergers and acquisitions and risk management in the real estate and financial services sectors. Mark was a partner at PwC for 25 years where he developed key accounting and audit experience. Mark was a member of the PwC Governance Board and completed his last two years as Chairman.

Mark is Chair of the Audit & Risk Committee.

Tenure: 7 months

DIRECTORS' REPORT

30 June 2019

OPERATING AND FINANCIAL REVIEW (continued)

DIRECTORS AND SECRETARY

Holly Kramer BA Econ, MBA

Holly is a Non-Executive Director and joined the Board in December 2018. Holly brings a significant range of skills and expertise in a number of important areas relevant to our business including a strong customer lens, given her career across consumer and retail, with customer centricity in marketing. She has substantial ASX governance experience including leading various remuneration committees. Holly is currently Deputy Chair of Australia Post, a non-executive director of Woolworths Group Ltd, Western Sydney University and the GO Foundation and a member of ASIC's External Advisory Panel. Previously a director of AMP (October 2015 to May 2018) and Nine Entertainment Corporation (May 2015 to February 2017).

Holly is Chair of the People Performance and Nomination Committees.

Tenure: 6 months

Jingmin Qian CFA, MBA, FAICD

Ms Qian is a Non-Executive Director and has significant expertise in the property, infrastructure and resource sectors as well as rich experience in Asia. Ms Qian is a director of Jing Meridian and specialises in advising boards and senior management on investment, strategic management and cross-cultural management. Ms Qian has served as a member of the business liaison program of the Reserve Bank of Australia. Ms Qian is a non-executive director of IPH Limited, a trustee of Club Plus Super, a member of Macquarie University Council and a director of the Australia China Business Council.

Ms Qian is Chair of the Compliance Committee and a member of the Audit & Risk Committee.

Tenure: 2 years

Robert Baulderstone BA, CA, FCIS Company Secretary and Chief Financial Officer

Mr Baulderstone has been the Company Secretary since February 2017. He has been a chartered accountant for over 25 years.

As at the date of this report, the relevant interests of the directors in the stapled securities of ABP Group were as follows:

Directors	ABP securities held
J Thame	84,590
H Kramer	13,679

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) of AGHL, AFML (the Responsible Entity of AT and AIT), AGPL, ASFML (the Responsible Entity of ASPT) and ASOL, held during the year and the number of meetings attended by each director were as follows:

	Board		Audit & Risk Committee		People Performance Committee		Compliance Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
J Thame	9	9	4	3	4	4	4	4
S Sewell	9	9						
M Salkinder	9	9			4	4	4	4
M Haberlin	4	4	3	3				
H Kramer	3	3			1	1		
J Qian	9	9	4	4			4	4
W Bartlett*	5	3	1	1	2	2		
P Spira*	5	5			2	2		

*Retired 15 November 2018

DIRECTORS' REPORT

30 June 2019

OPERATING AND FINANCIAL REVIEW (continued)

DIRECTORS AND SECRETARY (continued)

Indemnification and Insurance of Directors and Officers

The Group has paid an insurance premium in respect of a contract insuring all directors, full time executive officers and the secretary. The terms of this policy prohibit disclosure of the nature of the risks insured or the premium paid.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount) – except for any loss in respect of any matters which are finally determined to have resulted from Ernst & Young's negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the financial year.

EVENTS AFTER BALANCE SHEET DATE

In July 2019 Abacus completed a fully underwritten institutional placement of 63.3 million new ordinary stapled securities at an issue price of \$3.95 per stapled security which raised \$250 million. A Security Purchase Plan ("SPP") has also been offered to eligible securityholders to apply for up to \$15,000 of new securities at \$3.95 per stapled security.

On 9 August 2019, Abacus exchanged contracts for the acquisition of a 32% tenants-in-common interest in 201 Elizabeth Street, Sydney NSW for \$201.6 million excluding transaction costs. The transaction will complete in two tranches, with settlement of a 24% stake in November 2019 and the balance between July and October 2020.

Other than as disclosed in this report, there has been no other matter or circumstance that has arisen since the end of the financial year 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.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to environmental regulation in respect of its property activities. Adequate systems are in place for the management of the Group's environmental responsibilities and compliance with the various licence requirements and regulations. No material breaches of requirements or any environmental issues have been identified during the year. The Group is a core plus investor, not a builder of new buildings. The Group endeavours to choose sustainable options whenever that is a cost-effective outcome.

AUDITORS INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is shown on page 32.

NOTIFICATION OF AUDITOR ROTATION REQUIREMENTS

On 24 April 2018 the board of directors approved the extension of the Lead Audit Partner rotation period for one year for the financial year ended 30 June 2019 in accordance with section 324DAB of the Corporations Act 2001 and of the Corporations Legislative Amendment (Audit Enhancement) Act 2012. The decision was based on the directors determining that the extension provided consistency in the audit process during the change in the Group's Managing Director. The directors believe that this enhanced the overall quality of the Group's audit and the extension does not give rise to a conflict of interest.

ROUNDING

The amounts contained in this report and in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the group under ASIC Corporations Instrument 2016/191. The group is an entity to which the instrument applies.

DIRECTORS' REPORT

30 June 2019

REMUNERATION REPORT (audited)

This Remuneration Report describes Abacus' remuneration arrangements for directors and executives in accordance with the requirements of the Corporations Act and Regulations. Key terms used in this report are defined in the glossary at Table 15.

This report contains details of the remuneration of the following key management personnel (**KMPs**)

(i) Non-executive Directors

J. Thame	Chairman
M. Haberlin	Director (appointed on 15 November 2018)
H. Kramer	Director (appointed on 13 December 2018)
J. Qian	Director
M. Salkinder	Director
W. Bartlett	Director (retired on 15 November 2018)
P. Spira	Director (retired on 15 November 2018)

(ii) Executive Director

S. Sewell	Managing Director
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(iii) Executives

R. Baulderstone	Chief Financial Officer
P. Strain	Group General Manager - Property

Board oversight of remuneration***People Performance Committee***

The People Performance Committee is responsible for making recommendations to the Board on the remuneration arrangements for the non-executive directors and executives. Further details about the Committee's membership and functions are contained in the Corporate Governance Report.

DIRECTORS' REPORT

30 June 2019

REMUNERATION REPORT (audited) (continued)

Executive remuneration

Snapshot

Abacus is a high conviction investor and manager of real estate assets in the Australian and New Zealand markets. Historically, Abacus operated a core plus model across diverse property sectors, which resulted in earnings being more volatile as cycles of various sectors evolved.

Going forward, our strategy is to concentrate on real estate sectors that we judge are best to realise value through enhanced portfolio management, redevelopment investment and where it makes commercial sense, long term capital partnering. Abacus' primary focus is to acquire long dated assets in the self-storage and office sectors that contribute to and drive recurring earnings growth to fulfil our distribution policy.

Successful implementation of this strategy will position Abacus to be a high conviction owner and manager, transitioning to a long term sustainable operating income and capital growth model. The Abacus strategy and business will continue to evolve in the transition towards a more consistent and recurring earnings profile. Short and long dated variable remuneration is structured in such a way, that different contributions by each executive can be appropriately rewarded.

Long dated variable remuneration, which is subject to clawback, is linked to Abacus' security price that reflects the market assessment of the business' longer-term ability to deliver sustainable distributions and growth.

Objective

The remuneration policy for executives supports Abacus' overall objective of producing sustainable earnings and continuing growth in security value.

Total remuneration levels are positioned at market median, with higher rewards possible if justified by performance. The policy framework is designed to align the interests of executives and securityholders through the use of variable remuneration linked to an underlying profit gateway range and to the Abacus security price over the vesting period for deferred remuneration. The variable remuneration strategy is designed to drive sustainable and growing underlying profit that covers the distribution level implicit in the Abacus security price.

Abacus' performance over the last 5 years is illustrated below.

Table 1: 5 year performance

	2015	2016	2017	2018	2019
Underlying earnings per security (cents)*	24.53	22.36	32.71	31.73	24.03
Distributions paid and proposed (cents)	17.00	17.00	17.50	18.00	18.50
Closing security price (30 June)	\$2.92	\$3.15	\$3.24	\$3.77	\$4.10
Net tangible assets per security**	\$2.49	\$2.66	\$2.93	\$3.18	\$3.33
Weighted average securities on issue	524.4m	554.7m	571.2m	577.8m	580.0m
Underlying profit	128.3m	124.0m	186.8m	183.3m	139.4m

* Underlying earnings are unaudited.

** Net tangible assets per security include the impact of the fair value movements.

DIRECTORS' REPORT

30 June 2019

REMUNERATION REPORT (audited) (continued) *Structure*

The table below sets out the structure of Abacus' executive remuneration arrangements. Each element is discussed in further detail in the sections that follow.

Table 2: Summary of Abacus' remuneration structure

Remuneration component	Method	Purpose	Link to performance
Fixed remuneration	Paid mainly as cash salary - comprises base salary, superannuation contributions and other non-monetary benefits (car parking and associated fringe benefits tax).	Set with reference to role, market, experience and skill-set.	Indirect link to performance. Periodic increases are linked to market movements, changes in roles and responsibilities, and incumbent experience.
Current variable component (capped at 75% of fixed remuneration for the Managing Director and at 60% for other executives)	Paid in cash in September.	To drive performance against a range of financial and non-financial KPIs by end of financial year, including underlying profit.	Underlying profit is a key financial gateway for a current variable award. Individual performance is then tested against KPIs, key effectiveness indicators and other internal financial and performance measures.
Deferred variable component (capped at 75% of fixed remuneration for the Managing Director and at 60% for other executives)	Awards are made in the form of security acquisition rights, with 25% vesting in each of years 1 - 4.	To reward executives for achieving sustainable underlying profit growth over the short to medium term and to reduce excessive risk taking associated with short term performance assessment models.	Directly linked to the increase in the Abacus security price over the vesting period, and the maintenance of distributions. Claw back of prior grants is considered if performance is not sustained.

Abacus aims to ensure that the split of fixed and variable remuneration for executives is appropriate for the type of business it operates, namely, a cyclical, established business that seeks to provide stable distributions to securityholders. This strategy aligns with the Board's desired positioning of Abacus within the A-REIT industry.

Accordingly, the Board considers it appropriate that for the key management personnel the proportion of fixed to the potential target variable pay (the *remuneration ratio*) is 40:60 for the Managing Director and 45:55 for the other executives, with half of the variable component generally allocated to current variable remuneration and the other half to deferred variable remuneration. There may be variations from the ratio based on personal performance, but each executive's total current and deferred variable remuneration is generally capped at 150% for the Managing Director and 120% for the other executives of their fixed remuneration.

To assist the Committee in determining remuneration, Abacus subscribes to an independent property salary and remuneration survey recommended to it by EY. Abacus also reviews the published remuneration of the members of the S&P ASX 200 Index and the S&P/ASX 300 A-REIT Index. This information is used by the Committee for benchmarking purposes.

Fixed Remuneration

Abacus aims to set a fair base salary. Base salary is set by reference to each executive's position, performance and experience, and the Committee has regard to independent benchmarking information. The Committee has authority to engage independent advisers to assist it in its role. No external adviser provided any remuneration recommendations in relation to any member of the KMP during the year.

Fixed remuneration is benchmarked against data for the property industry as well as data from the stock market to determine an appropriate market-competitive level of pay. Stock market data covers listed industry companies of comparable size and, within that, A-REITs of comparable size.

Base salaries paid to executives increased by an average of 5.0% in the year ended 30 June 2019, which it should be noted included a movement upon transition to the role of Managing Director and market based adjustments for the Chief Financial Officer.

DIRECTORS' REPORT

30 June 2019

REMUNERATION REPORT (audited) (continued)

Current variable remuneration

Table 3: Summary of the Current Variable Incentive Plan

What is current variable remuneration?	A cash incentive plan linked to specific annual targets.												
What were the outcomes for executives this year and last year?	For the 2019 financial year current variable remuneration awards of \$1,255,000 have been accrued and will be paid in September 2019. The awards made to each executive and their achievements against the target potential payment are set out in table 6.												
What is the purpose of current variable remuneration?	To link the achievement of Abacus' operational targets to the remuneration received by all the executives charged with meeting those targets. This is designed to encourage the executives to work as a team to achieve the underlying profit target range.												
What are the performance conditions?	<p>For each financial year, the Board specifies an underlying profit target range. The lower end of the target range operates as a gateway that must be passed if current variable remuneration awards are to be generally payable. The profit target range for the 2019 financial year was \$126m to \$133m. If the gateway is passed, the value of the award for each executive is determined having regard to achievement against pre-determined key performance indicators or KPIs. The target levels of performance set by the Board are challenging, and 100% payments require a high level of consistent performance.</p> <p>The KPIs for the year ended 30 June 2019 are set out below:</p> <table border="1" data-bbox="507 913 1447 1653"> <thead> <tr> <th data-bbox="515 925 818 981" rowspan="2">KPI</th> <th colspan="2" data-bbox="826 925 1439 981">Proportion of current variable remuneration award measure applies to</th> </tr> <tr> <th data-bbox="826 981 1145 1025">Managing Director</th> <th data-bbox="1153 981 1439 1025">Other executives</th> </tr> </thead> <tbody> <tr> <td data-bbox="515 1025 818 1305"> Financial measure: <ul style="list-style-type: none"> - Contribution to Abacus underlying profit - Contribution to sustainability of distribution - Contributions to projects expected to grow security value </td> <td data-bbox="826 1025 1145 1305">60%</td> <td data-bbox="1153 1025 1439 1305">20-80% (dependent on role)</td> </tr> <tr> <td data-bbox="515 1305 818 1641"> Non-financial measures: <ul style="list-style-type: none"> - Quality of analysis and recommendations - Transaction and project management - Key growth activities - Risk management - Other performance measures focused on achieving business imperatives </td> <td data-bbox="826 1305 1145 1641">40%</td> <td data-bbox="1153 1305 1439 1641">20-80%</td> </tr> </tbody> </table> <p data-bbox="491 1664 1361 1686">Account is also taken of qualitative indicators of effectiveness, performance and behaviour.</p>		KPI	Proportion of current variable remuneration award measure applies to		Managing Director	Other executives	Financial measure: <ul style="list-style-type: none"> - Contribution to Abacus underlying profit - Contribution to sustainability of distribution - Contributions to projects expected to grow security value 	60%	20-80% (dependent on role)	Non-financial measures: <ul style="list-style-type: none"> - Quality of analysis and recommendations - Transaction and project management - Key growth activities - Risk management - Other performance measures focused on achieving business imperatives 	40%	20-80%
KPI	Proportion of current variable remuneration award measure applies to												
	Managing Director	Other executives											
Financial measure: <ul style="list-style-type: none"> - Contribution to Abacus underlying profit - Contribution to sustainability of distribution - Contributions to projects expected to grow security value 	60%	20-80% (dependent on role)											
Non-financial measures: <ul style="list-style-type: none"> - Quality of analysis and recommendations - Transaction and project management - Key growth activities - Risk management - Other performance measures focused on achieving business imperatives 	40%	20-80%											
Why were these measures chosen?	<p>An underlying profit target range was chosen because, of several financial performance measures considered by the Board, underlying profit demonstrated the closest correlation to security-holder value creation (measured by total security-holder return). Underlying profit reflects the statutory profit as adjusted in order to present a figure that 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.</p> <p>The other financial and non-financial KPIs were chosen as they represent the key drivers for the short-term success of the business and provide a framework for long term securityholder value.</p>												
How is the total current variable remuneration pool determined?	The current variable remuneration pool is linked directly to, and contingent on, the achievement of the underlying profit gateway for the assessment year.												

DIRECTORS' REPORT

30 June 2019

REMUNERATION REPORT (audited) (continued)

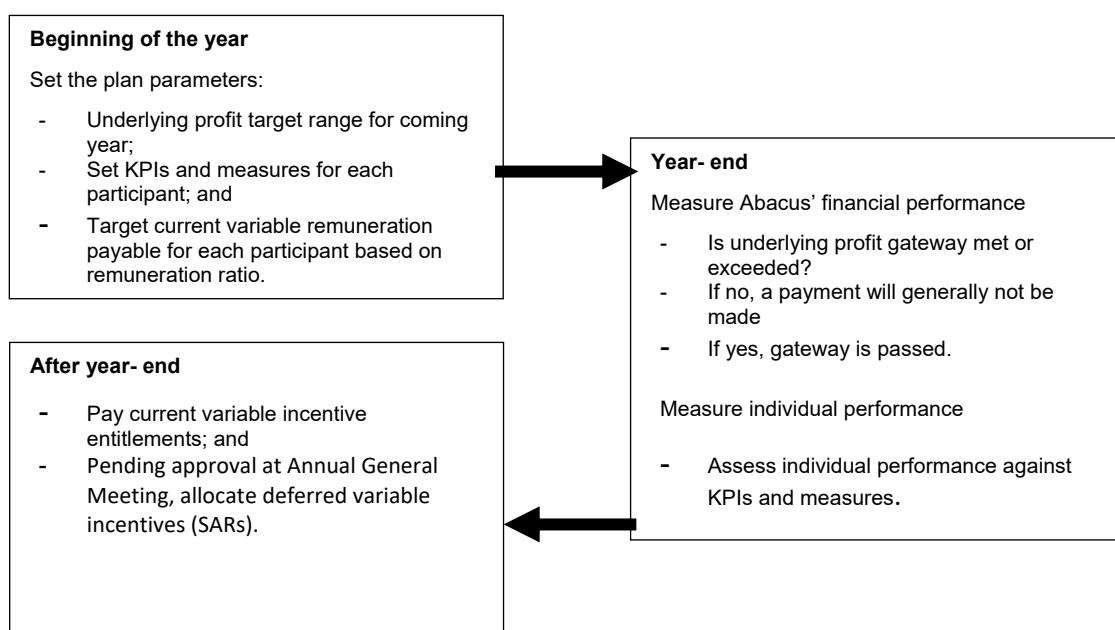
Current variable remuneration (continued)

Table 3: Summary of the Current Variable Incentive Plan (continued)

How is performance assessed?	The People Performance Committee considers the performance of the executives against their KPIs and other applicable measures and has regard to independent benchmarking information. The Committee then recommends current variable remuneration payments, if any, to the Board for its approval.
What discretions does the Board have?	<p>If the underlying profit gateway is missed, the Board retains the discretion to make the current variable remuneration pool, or a reduced pool, generally available if it determines the circumstances warrant such action. If performance has been exceptionally strong the Board may increase the total pool size to provide additional current variable remuneration awards reflective of the above target performance.</p> <p>If the underlying profit gateway is missed, the Board also retains the discretion to pay current variable remuneration awards to selected individuals to reward them for their personal above target performance.</p> <p>When approving awards for individual executives, the Board has the discretion to consider each executive's total contribution to Abacus in addition to the specific KPIs selected for the relevant year.</p> <p>The board will disclose the exercise of any of these discretions.</p> <p>No discretions have been exercised in respect of the reporting year.</p>
What happens on cessation of employment?	An executive will generally not be entitled to be paid a current variable remuneration award if they resign or if their employment is terminated with cause.
Were any changes made to the Current Variable Incentive Plan in FY19?	No changes have been made to the Current Variable Incentive Plan.

Table 4: Summary of the pooling and assessment process

The process for determining an individual's current variable remuneration award is as follows:



DIRECTORS' REPORT

30 June 2019

REMUNERATION REPORT (audited) (continued)

Current variable remuneration outcome for the Managing Director

The following table sets out the performance of the Managing Director against his KPI targets for the year ended 30 June 2019 (scorecard) which are reviewed by the People Performance Committee and the Board. These KPIs are intended to provide a link between remuneration outcomes and the key drivers of long term securityholder value:

Table 5: Managing Director's performance against KPIs

Category	Weighting	Result	Performance Detail
Financial performance – measured by underlying profit	35%	Above target	Abacus delivered an underlying profit of \$139.4 million which is 10.6% higher than the variable remuneration gateway.
Sustainable distribution – measured by payment of the target amount	15%	At target	Abacus has paid a distribution of 18.5 cents per security which is in line with the FY19 forecast distribution of 18.5 cents per security.
Growth – measured by revenue growth, funds under management, acquisitions, capital partners and expanded activities	10%	Above target	Executed on several long - term strategic partnerships, Salta and ISPT. Led acquisition of strategic stake in Storage King (SK) management platform. Revenue and Funds from Operations were achieved as forecast.
Business management – measured by Debt, Rent and Leasing, Operating costs, delivery of business plans and integration of SK as required	10%	At target	Enhanced focus on asset management, operating processes, capability, business planning and Investment Committee process. Acted as lead on advisory committee on building ongoing SK operating framework. Led early refinance of storage debt facility. Managed risk of market, Liquidity and Balance Sheet.
Legacy investment exposure - measured by strategic divestment of assets in agreed portfolios	10%	Above target	In line with strategy, implemented timely delivery of planned and measured divestment of nominated assets in agreed portfolios.
Team leadership and team work - measured by talent management diversity and flexibility, WH&S, sustainability, philanthropy and representation externally to all stakeholders, Board, investors, industry peers and business partners.	20%	Above target	Since assuming and carrying the role of MD, new talent engaged, key members of leadership team retained and considerable progress and enhancement made at Abacus, including ESG commitments and engagement of internal and external stakeholders.

The scorecards for other executives are similar to that of the Managing Director, but with different weightings and with KPIs applicable to their individual roles.

Current variable remuneration awards

Application of the KPIs against the scorecards resulted in no executive exceeding the target possible variable remuneration. The following table sets out the awards made to each executive based on their performance during the year ended 30 June 2019.

Table 6: Current variable awards

	Fixed salary	Target STI as per the plan	Current variable remuneration award	% of maximum possible current award earned
S Sewell	1,050,000	787,500	725,000	92%
R Boulderstone	550,000	330,000	310,000	94%
P Strain	530,000	318,000	220,000	69%

DIRECTORS' REPORT

30 June 2019

REMUNERATION REPORT (audited) (continued)

Deferred variable remuneration

Table 7: Summary of the Deferred Variable Incentive Plan

<p>What is deferred variable incentive?</p>	<p>Deferred variable incentive is delivered in the form of an annual grant of security acquisition right (SARs) under the deferred security acquisition rights plan (SARs Plan).</p> <p>SARs allocated to an executive as their deferred variable remuneration for a financial year will vest in four equal annual tranches on the first, second, third and fourth anniversaries of the allocation date.</p> <p>Executives are entitled before any tranche of SARs vests, to extend the vesting date for that tranche by 12 months.</p>
<p>What is the purpose of deferred variable incentives?</p>	<p>The objective of the Deferred Variable Incentive Plan is to reward executives for sustaining underlying profit that covers the distribution level implicit in the Abacus security price and for the sustainability of distributions over a four year period.</p> <p>The structure of the plan recognises that long-term value is the product of a string of sustained short-term outcomes and seeks to discourage volatile earnings and distributions. Reward is accordingly contingent on both current performance and the maintenance of that performance in succeeding years. The two are not considered independent, and the reward structure intentionally does not allow for separate short term and long term measures.</p>
<p>How is the value of the deferred variable incentive determined?</p>	<p>A deferred variable incentive award is available to an executive who satisfies the KPIs outlined in the current variable remuneration section.</p> <p>As a starting point, the deferred variable incentive award for a financial year will match the value of the current variable incentive award paid for that year.</p> <p>The matching allocations may then be adjusted to take into account other factors that the Board considers specifically relevant to the purpose of providing deferred variable remuneration awards. Adjustments may be needed, for example, to take into account exceptional individual performance, the potential of an executive, or their future employment plans and aspirations.</p> <p>Once the grant value is determined by the Board, the number of SARs to be awarded is calculated based on the face value of Abacus' securities. The face value is calculated using a 10 day volume weighted average price (VWAP) for the period commencing on the second trading day after the full year results announcement.</p>
<p>Can deferred variable incentives be forfeited?</p>	<p>Deferred variable incentives will usually be forfeited if an executive resigns or is summarily dismissed prior to the vesting date (see the 'Cessation of employment section' below for more detail).</p> <p>The Board has the discretion to forfeit unvested SARs tranches of an allocation of SARs if ABP distributions fall by more than the annualised distribution rate per ABP security set at the time of the relevant allocation. The rate set for the reporting year was \$0.18. No forfeitures of SARs for unsustainable performance occurred in the reporting period.</p> <p>Further, if the Board determines that an executive is responsible for misconduct resulting in material non-compliance with financial reporting requirements or for excessive risk taking, the executive will forfeit all unvested SARs entitlements.</p>
<p>Do executives receive distributions on their unvested deferred variable incentives?</p>	<p>No. However, to achieve a closer alignment of the interests of securityholders and senior executives, when a tranche of SARs vests, the holder will receive an additional number of ABP securities equivalent in value to the distributions the executive would have received over the vesting period if their SARs had been ABP securities.</p>

DIRECTORS' REPORT

30 June 2019

REMUNERATION REPORT (audited) (continued)

Deferred variable remuneration (continued)

Table 7: Summary of the Deferred Variable Incentive Plan (continued)

<p>What discretions does the Board have?</p>	<p>The Board has the discretion to award SARs in excess of the deferred variable incentive cap in the case of exceptional performance.</p> <p>The board will disclose the exercise of any of these discretions.</p> <p>No discretions have been exercised in respect of the reporting year.</p>
<p>What happens on cessation of employment?</p>	<p>To receive the deferred remuneration award the executive must remain employed by Abacus, unless they are considered a good leaver (that is, through disability, termination without cause, genuine retirement, death or some other circumstance considered acceptable by the board in its discretion).</p>
<p>What is the vesting schedule of the Deferred Variable Incentive Plan?</p>	<p>The SARs allocated to an executive for a financial year vests in 4 equal annual tranches on the first, second, third and fourth anniversaries of the allocation date.</p>

Further details about deferred variable incentive grants are set out in tables 10 to 13 and the terms of prior year grants are set out in earlier remuneration reports.

Employment contracts and termination entitlements

The Managing Director, Mr Sewell, is employed under a contract dated 15 February 2018 and may be terminated by either party giving 9 months written notice or in the case of Abacus by providing payment in lieu of notice.

The other executives are employed on an ongoing basis under letter agreements until one month's notice is given by either party. Abacus may terminate an executive's service at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to remuneration up to the date of termination. Deferred variable remuneration allocations vest according to the SARs Plan rules.

Pending changes for financial year 2020

As the Abacus strategy and business will continue to evolve in the transition towards a more consistent and recurring earnings profile, the Board considered and approved the following minor amendments to the Deferred Variable Incentive Plan (DVIP) which will be implemented in financial year 2020:

- re-weighting of the vesting schedule from 25% per annum to Nil in year 1; and
- one third vesting in years 2, 3 and 4.

These minor amendments to the DVIP are designed to further encourage a longer - term executive focus.

DIRECTORS' REPORT

30 June 2019

REMUNERATION REPORT (audited) (continued)

Non-executive director remuneration

Objective

The Committee assesses the appropriateness of the nature and amount of remuneration of non-executive directors on a periodic basis by reference to market rates with the overall objective of attracting and retaining Board members with an appropriate combination of industry and specialist functional knowledge and experience.

Structure

Abacus' constituent documents and the ASX Listing Rules specify that the maximum aggregate remuneration of non-executive directors must be approved by securityholders. The last determination was at the annual general meeting held on 14 November 2017 when securityholders approved an aggregate remuneration limit of \$1,000,000 per year. (This is a limit on non-executive directors' total fees. The actual fees paid to non-executive directors are in Table 8).

The aggregate remuneration limit and the fee structure are reviewed annually and fees were last increased in July 2017.

Fees payable, inclusive of superannuation, to non-executive directors are as follows:

Table 8: Non-Executive Director fee levels

Board/Committee	Role	Fee
Board	Chairman*	\$232,142
Board	Member	\$105,000
Audit & Risk Committee	Chairman	\$27,300
Audit & Risk Committee	Member	\$10,500
Compliance Committee	Chairman	\$14,700
Compliance Committee	Member	\$10,500
People Performance Committee and Nomination Committee	Chairman	\$15,750
People Performance Committee and Nomination Committee	Member	\$10,500

* The Chairman is an ex-officio member of all Board committees but does not receive any committee membership fees.

The non-executive directors do not receive retirement benefits. Nor do they participate in any incentive programs.

DIRECTORS' REPORT

30 June 2019

Table 9: Remuneration of Key Management Personnel

2019	Short-term benefits			Total cash payments and short term benefits	Post employment Superannuation	Long-term benefits Long service leave*	Security-based payment Security acquisition rights (SARs)*	Total	Performance related
	Salary & fees	Current variable incentive	Non-monetary benefits						
	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-executive directors									
J Thame - Chairman	212,002	-	-	212,002	20,140	-	-	232,142	-
M Haberlin ##	75,514	-	-	75,514	7,174	-	-	82,688	-
H Kramer ###	60,826	-	-	60,826	5,778	-	-	66,604	-
J Qian	118,904	-	-	118,904	11,296	-	-	130,200	-
M Salkinder	115,068	-	-	115,068	10,932	-	-	126,000	-
W Bartlett #	48,904	-	-	48,904	4,646	-	-	53,550	-
P Spira #	41,353	-	-	41,353	3,929	-	-	45,282	-
Sub-total non-executive directors	672,571	-	-	672,571	63,895	-	-	736,466	
Executive Directors									
S Sew ell - Managing Director	1,029,469	725,000	6,467	1,760,936	20,531	-	176,799	1,958,266	46%
Other key management personnel									
R Baulderstone - Chief Financial Officer	525,000	310,000	-	835,000	25,000	17,793	176,321	1,054,114	46%
P Strain - Group General Manager Property	505,000	220,000	6,467	731,467	25,000	13,709	170,157	940,333	41%
Sub-total executive KMP	2,059,469	1,255,000	12,934	3,327,403	70,531	31,502	523,277	3,952,713	
Total	2,732,040	1,255,000	12,934	3,999,974	134,426	31,502	523,277	4,689,179	

* Accrued but not presently entitled

Retired on 15 November 2018

Appointed on 15 November 2018

Appointed on 13 December 2018

DIRECTORS' REPORT

30 June 2019

Table 9: Remuneration of Key Management Personnel

2018	Short-term benefits			Total cash payments and short term benefits	Post employment Superannuation	Long-term benefits Long service leave*	Security-based payment Security acquisition rights (SARs)*	Total	Performance related
	Salary & fees	Current variable incentive	Non-monetary benefits						
	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-executive directors									
J Thame - Chairman	212,001	-	-	212,001	20,049	-	-	232,050	-
W Bartlett	126,495	-	-	126,495	12,017	-	-	138,512	-
M Irving **	53,393	-	-	53,393	5,072	-	-	58,465	-
J Qian #	87,719	-	-	87,719	8,333	-	-	96,052	-
M Salkinder	115,068	-	-	115,068	10,931	-	-	125,999	-
P Spira	104,934	-	-	104,934	9,968	-	-	114,902	-
Sub-total non-executive directors	699,610	-	-	699,610	66,370	-	-	765,980	
Executive Directors									
S Sew ell - Managing Director ##	636,323	480,000	-	1,116,323	15,036	-	-	1,131,359	42%
F Wolf - Managing Director ###	1,129,127	480,000	6,467	1,615,594	13,603	27,982	1,352,246	3,009,425	61%
Other key management personnel									
R Baulderstone - Chief Financial Officer	485,000	300,000	-	785,000	25,000	10,390	152,579	972,969	47%
C Laird - Director Property Developments^	485,000	250,000	6,467	741,467	25,000	9,640	178,215	954,322	45%
P Strain - Director Property Investments	485,000	250,000	6,467	741,467	25,000	10,550	159,085	936,102	44%
Sub-total executive KMP	3,220,450	1,760,000	19,401	4,999,851	103,639	58,562	1,842,125	7,004,177	
Total	3,920,060	1,760,000	19,401	5,699,461	170,009	58,562	1,842,125	7,770,157	

*Accrued but not presently entitled except F Wolf

** Retired on 14 November 2017

Appointed on 26 September 2017

Commenced on 3 October 2017 and appointed Managing Director on 18 April 2018

Died on 18 April 2018 which resulted in the vesting of all entitlements to SARs

^ Ceased to meet the definition of a key management person on 1 July 2018

DIRECTORS' REPORT

30 June 2019

REMUNERATION REPORT (audited) (continued)

Table 10: Grants under the Deferred Security Acquisition Rights Plan

The table below discloses the SARs granted to key management personnel as well as the number of SARs that vested or lapsed during the year.

	Year	Grant date	SARs granted	Fair value per right at grant date	Vesting date	No. vested during the year	No. lapsed during the year
Director							
S Sewell	2019	15/11/2018	165,996	\$2.891	over 4 years	-	-
Executives							
R Baulderstone	2019	15/11/2018	71,552	\$2.891	over 4 years	-	-
	2018	14/11/2017			13/09/2018	12,217	-
	2017	14/11/2016			13/09/2017	14,391	-
	2016	21/11/2015			13/09/2017	13,324	-
	2015	21/11/2014			13/09/2017	14,550	-
P Strain	2019	15/11/2018	62,964	\$2.891	over 4 years	-	-
	2018	14/11/2017			13/09/2018	12,217	-
	2017	14/11/2016			13/09/2017	14,391	-
	2016	21/11/2015			13/09/2017	16,655	-
	2015	21/11/2014			13/09/2017	14,550	-

Table 11: The value of SARs granted, exercised and lapsed during the year

	Value of SARs granted during the year	Value of SARs exercised during the year	Value of SARs lapsed during the year
	\$	\$	\$
S Sewell	479,894	-	-
R Baulderstone	206,857	228,806	-
P Strain	182,029	243,039	-

Refer to Note 20 for details on the valuation the SARs, including models and assumptions used.

There were no alterations to the terms and conditions of the SARs since their grant date.

DIRECTORS' REPORT

30 June 2019

REMUNERATION REPORT (audited) (continued)

Table 12: Securities acquired on exercise of options

	Securities acquired No.	Paid per security \$
R Boulderstone	62,951	3.62
P Strain	66,867	3.62

The number of securities acquired is based on the SARs that vested in the year and the distributions that would have been paid on that number of securities from the grant date to the allocation date.

Table 13: Movements in SARs holdings of key management personnel during the year

	Balance 1 July 2018	Granted as remuneration	SARs exercised	Balance 30 June 2019	Vested 30 June 2019
Director					
S Sewell	-	165,996	-	165,996	-
Executives					
R Boulderstone	133,239	71,552	(54,482)	150,309	-
P Strain	139,901	62,964	(57,813)	145,052	-
Total	273,140	300,512	(112,295)	461,357	-

Table 14: Securityholdings of key management personnel

	Balance 1 July 2018	Vesting of SARs	Purchases/ (sales)	Retired	Balance 30 June 2019
Directors					
J Thame	84,590	-	-	-	84,590
W Bartlett	33,125	-	-	(33,125)	-
H Kramer	-	-	13,679	-	13,679
Executives					
R Boulderstone	258,141	62,951	-	-	321,092
P Strain	341,829	66,867	17,873	-	426,569
Total	717,685	129,818	31,552	(33,125)	845,930

All equity transactions with key management personnel other than those arising from the vesting of the security acquisition rights have been entered into under terms and conditions no more favourable than those that Abacus would have adopted if dealing at arm's length.

Loans to key management personnel

There were no loans to key management personnel and their related parties at any time in 2019 or in the prior year.

DIRECTORS' REPORT

30 June 2019

REMUNERATION REPORT (audited) (continued)

Other transactions with key management personnel

During the year, transactions occurred between Abacus and key management personnel which are within normal employee and investor relationships.

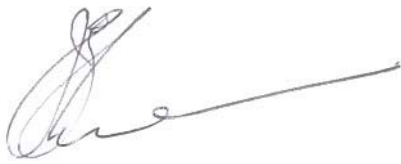
Table 15: Glossary of terms used in the Remuneration Report

Term	Definition
Allocation date for an award of SARS	the first business day after a period of 10 trading days on ASX starting from the second trading day after the full year results announcement for Abacus for the previous financial year has elapsed
Executives	the Managing Director and the other senior executives of Abacus who are members of the KMP
Key Management Personnel or KMP	those executives who for the purposes of the accounting standards are considered to have authority and responsibility for planning, directing and controlling the major activities of Abacus, and includes the directors
Security acquisition rights or SARs	SARs are awarded under the deferred security acquisition rights plan. If a SAR vests, it will convert into ABP security on a one for one basis or (exceptionally, subject to the discretion of the Board where an executive already has a significant holding of ABP securities) a cash amount equal to the face value of an ABP security at around the time of vesting

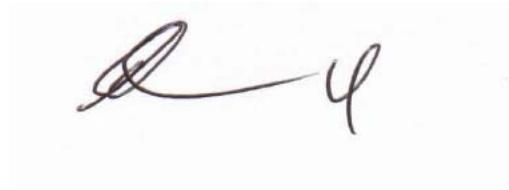
DIRECTORS' REPORT

30 June 2019

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

A handwritten signature in black ink, appearing to be 'John Thame', with a long horizontal stroke extending to the right.

John Thame
Chairman
Sydney, 16 August 2019

A handwritten signature in black ink, appearing to be 'Steven Sewell', with a long horizontal stroke extending to the right.

Steven Sewell
Managing Director



Building a better
working world

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

As lead auditor for the audit of Abacus Group Holdings Limited for the financial year ended 30 June 2019, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Kathy Parsons
Partner
16 August 2019

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 30 JUNE 2019

Continuing Operations	Notes	2019 \$'000	2018 \$'000
REVENUE			
Rental income		175,207	163,710
Finance income	1	42,580	47,768
Management and other fee income		4,783	4,282
Sale of inventory		47,843	76,575
Total Revenue		270,413	292,335
OTHER INCOME			
Net change in fair value of investment properties and property, plant and equipment derecognised		13,532	17,304
Net change in fair value of investments and financial instruments derecognised		18,037	9,004
Net change in fair value of investment properties and property, plant & equipment held at balance date		69,640	60,724
Share of profit from equity accounted investments	8(a)	14,668	73,749
Other income		1,885	4,247
Total Revenue and Other Income		388,175	457,363
Property expenses and outgoings		(60,539)	(58,032)
Depreciation and amortisation expenses	3(a)	(2,911)	(2,739)
Cost of inventory sales		(36,650)	(55,941)
Net change in fair value of investments held at balance date	3(b)	(2,332)	(6,363)
Net change in fair value of derivatives		(6,750)	730
Impairment charges		(7,771)	-
Finance costs	3(c)	(28,616)	(31,258)
Administrative and other expenses	3(d)	(33,886)	(31,577)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		208,720	272,183
Income tax expense	4(a)	(16,113)	(28,813)
NET PROFIT AFTER TAX FROM CONTINUING OPERATIONS		192,607	243,370
Discontinued Operations			
Net profit after tax from discontinued operations	22	1,840	3,588
NET PROFIT AFTER TAX		194,447	246,958
PROFIT ATTRIBUTABLE TO:			
Equity holders of the parent entity (AGHL)		43,752	54,135
<i>Equity holders of other stapled entities</i>			
AT members		71,517	108,865
AGPL members		(663)	4,937
AIT members		12,400	3,263
ASPT members		29,795	25,188
ASOL members		45,922	47,321
Stapled security holders		202,723	243,709
Net profit / (loss) attributable to external non-controlling interests		(8,276)	3,249
NET PROFIT		194,447	246,958
Basic and diluted earnings per stapled security (cents)	2	34.95	42.18
Basic and diluted earnings per stapled security from continuing operations (cents)	2	32.77	41.76

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 30 JUNE 2019

	2019	2018
	\$'000	\$'000
NET PROFIT AFTER TAX	194,447	246,958
OTHER COMPREHENSIVE INCOME		
<i>Items that will not be reclassified subsequently to the income statement</i>		
Revaluation of assets, nil tax effect	-	10,053
<i>Items that may be reclassified subsequently to the income statement</i>		
Foreign exchange translation adjustments, net of tax	2,625	(2,022)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	197,072	254,989
Total comprehensive income attributable to:		
Members of the APG Group	205,348	247,733
External non-controlling interests	(8,276)	7,256
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	197,072	254,989
Total comprehensive income attributable to members of the Group analysed by amounts attributable to:		
AGHL members	43,752	60,181
AT members	71,517	108,865
AGPL members	(663)	4,937
AIT members	12,400	3,263
ASPT members	32,407	23,208
ASOL members	45,935	47,279
TOTAL COMPREHENSIVE INCOME AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE GROUP	205,348	247,733

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2019 \$'000	2018 \$'000
CURRENT ASSETS			
Investment properties held for sale	5	78,850	209,606
Inventory	6(a)	12,800	28,548
Property loans	7(a)	122,709	216,259
Cash and cash equivalents	9	89,028	103,256
Property, plant and equipment held for sale	16	-	88,500
Trade and other receivables		26,030	21,145
Other		3,874	3,413
TOTAL CURRENT ASSETS		333,291	670,727
NON-CURRENT ASSETS			
Investment properties	5	1,983,644	1,726,394
Inventory	6(b)	45,809	76,157
Property loans	7(b)	188,323	118,805
Equity accounted investments	8	168,100	154,890
Deferred tax assets	4(c)	12,682	8,236
Property, plant and equipment	16	10,548	4,800
Other financial assets	7(c)	48,255	3,214
Intangible assets and goodwill	21	32,394	32,394
Other		4,615	-
TOTAL NON-CURRENT ASSETS		2,494,370	2,124,890
TOTAL ASSETS		2,827,661	2,795,617
CURRENT LIABILITIES			
Trade and other payables		73,475	88,568
Interest-bearing loans and borrowings	11(a)	-	38,765
Derivatives at fair value		-	61
Income tax payable		178	20,906
Other		5,750	8,108
TOTAL CURRENT LIABILITIES		79,403	156,408
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	11(b)	744,535	693,742
Derivatives at fair value		16,692	12,847
Deferred tax liabilities	4(c)	17,976	12,218
Other		3,651	3,700
TOTAL NON-CURRENT LIABILITIES		782,854	722,507
TOTAL LIABILITIES		862,257	878,915
NET ASSETS		1,965,404	1,916,702
TOTAL EQUITY		1,965,404	1,916,702

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 30 JUNE 2019

	Notes	2019 \$'000	2018 \$'000
Equity attributable to members of AGHL:			
Contributed equity		349,226	348,331
Reserves		4,020	21,940
Retained earnings		180,032	127,033
Total equity attributable to members of AGHL:		533,278	497,304
Equity attributable to unitholders of AT:			
Contributed equity		944,808	942,690
Accumulated losses		(67,892)	(40,062)
Total equity attributable to unitholders of AT:		876,916	902,628
Equity attributable to members of AGPL:			
Contributed equity		27,500	27,413
Retained earnings		20,904	21,567
Total equity attributable to members of AGPL:		48,404	48,980
Equity attributable to unitholders of AIT:			
Contributed equity		131,538	131,300
Accumulated losses		(89,800)	(91,631)
Total equity attributable to unitholders of AIT:		41,738	39,669
Equity attributable to members of ASPT:			
Contributed equity		124,804	124,167
Reserves		2,782	170
Retained earnings		37,695	8,150
Total equity attributable to members of ASPT:		165,281	132,487
Equity attributable to members of ASOL:			
Contributed equity		21,269	21,087
Reserves		143	130
Retained earnings		273,702	227,780
Total equity attributable to members of ASOL:		295,114	248,997
Equity attributable to external non-controlling interest:			
Contributed equity		24,805	61,139
Reserves		-	11,854
Accumulated losses		(20,132)	(26,356)
Total equity attributable to external non-controlling interest:		4,673	46,637
TOTAL EQUITY		1,965,404	1,916,702
Contributed equity	13	1,599,145	1,594,988
Reserves		6,945	22,240
Retained earnings		354,641	252,837
Total stapled security holders' interest in equity		1,960,731	1,870,065
Total external non-controlling interest		4,673	46,637
TOTAL EQUITY		1,965,404	1,916,702

CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED 30 JUNE 2019

	Notes	2019 \$'000	2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Income receipts		267,856	390,428
Interest received		1,414	939
Income tax paid		(30,865)	(8,067)
Finance costs paid		(28,892)	(28,571)
Operating payments		(90,457)	(107,465)
Payments for inventory costs		(9,964)	(52,998)
NET CASH FLOWS FROM OPERATING ACTIVITIES	9	109,092	194,266
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments and funds advanced		(70,964)	(65,727)
Proceeds from sale and settlement of investments and funds repaid		139,972	126,590
Purchase of property, plant and equipment		(7,081)	(2,105)
Disposal of property, plant and equipment		83,660	2,089
Purchase of investment properties		(303,819)	(346,821)
Disposal of investment properties		263,997	58,050
Payment for other investments		(54,799)	(3,860)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		50,966	(231,784)
CASH FLOWS FROM FINANCING ACTIVITIES			
Return of capital		(36,298)	(42)
Payment of issue / finance costs		(3,335)	(1,734)
Repayment of borrowings		(103,605)	(63,685)
Proceeds from borrowings		73,168	243,794
Distributions paid		(104,249)	(93,745)
NET CASH FLOWS (USED IN) / FROM FINANCING ACTIVITIES		(174,319)	84,588
NET INCREASE IN CASH AND CASH EQUIVALENTS		(14,261)	47,070
Net foreign exchange differences		33	(81)
Cash and cash equivalents at beginning of year		103,256	56,267
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	89,028	103,256

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2019

	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 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	-	-	2,625	-	-	-	2,625	
Net income for the year	-	-	-	-	202,723	(8,276)	194,447	
Total comprehensive income for the year	-	-	2,625	-	202,723	(8,276)	197,072	
Return of capital	-	-	-	-	-	(32,583)	(32,583)	
Distribution reinvestment plan	4,158	-	-	-	-	-	4,158	
Security acquisition rights	-	-	-	6	-	-	6	
Distribution to security holders	-	-	-	-	(107,696)	(1,105)	(108,801)	
Transfer of reserve (hotel disposal)	-	(17,926)	-	-	17,926	-	-	
At 30 June 2019	1,599,145	-	2,925	4,020	354,641	4,673	1,965,404	

	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 2017	1,581,156	11,880	2,322	6,493	164,248	48,522	1,814,621	
Other comprehensive income	-	6,046	(2,022)	-	-	4,007	8,031	
Net income for the year	-	-	-	-	243,709	3,249	246,958	
Total comprehensive income for the year	-	6,046	(2,022)	-	243,709	7,256	254,989	
Return of capital	-	-	-	-	-	(7,670)	(7,670)	
Distribution reinvestment plan	13,831	-	-	-	-	-	13,831	
Security acquisition rights	-	-	-	(2,479)	-	-	(2,479)	
Acquisition of units in subsidiary	-	-	-	-	(476)	-	(476)	
Distribution to security holders	-	-	-	-	(154,643)	(1,471)	(156,114)	
At 30 June 2018	1,594,987	17,926	300	4,014	252,838	46,637	1,916,702	

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 23). The comparative results for the year ended 30 June 2018 are not restated as permitted by the standard.

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NOTES TO THE FINANCIAL STATEMENTS – About this Report

30 JUNE 2019

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 year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 16 August 2019.

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

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group’s accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable, based on the most current set of circumstances available to management. Actual results may differ from these judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(a) Significant accounting judgements

Control and significant influence

In determining whether the Group has control over an entity, the Group assesses its exposure or rights to variable returns from its involvement with the entity and whether it has the ability to affect those returns through its power over the investee. The Group may have significant influence over an entity when it has the power to participate in the financial and operating policy decisions of the entity but is not in control or joint control of those policies.

(b) Significant accounting estimates and assumptions

Valuation of investment properties and property, plant and equipment held at fair value

The Group makes judgements in respect of the fair value of investment properties and property, plant and equipment (Note 23(n)). The fair value of these properties are reviewed regularly by management with reference to external independent property valuations and market conditions existing at reporting date, using generally accepted market practices. The assumptions underlying estimated fair values are those relating to the receipt of contractual rents, expected future market rentals, maintenance requirements, capitalisation rates and discount rates that reflect current market conditions and current or recent property investment prices.

Expected credit loss (ECL) provision and impairment of property loans and financial assets

The Group has applied the simplified approach and recorded lifetime expected losses on financial assets with the exception of property loans. In estimating the ECL provision, historical recoverability and underlying risks within the financial asset are considered.

In considering the ECL provision for property loan financial assets at amortised cost, 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.

In considering the impairment of property loans and financial assets, the Group undertakes a market analysis of the secured property development and other securities being utilised to support the underlying loan and financial assets and identifies if a deficiency of security exists and the extent of that deficiency, if any. If there is an indicator of impairment, fair value calculations of expected future cashflows are determined and if there are any differences to the carrying value of the loan, an impairment is recognised.

Valuation of property loans at fair value

The Group makes judgements in respect of the fair value of property loans at fair value. The fair value of these property loans at fair value are reviewed by management with reference to external independent property valuations of the underlying security, market conditions existing at reporting date, using generally accepted market practices and the Group’s entitlement to any variable returns associated with the loans.

NOTES TO THE FINANCIAL STATEMENTS – About this Report (continued)**30 JUNE 2019***Net realisable value of inventory*

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions that require the use of management judgment are reviewed half-yearly and these assumptions include the number of lots/units sold per year and the average selling price per lot/unit. If the net realisable value is less than the carrying value of inventory, an impairment loss is recognised in the income statement.

Fair value of derivatives

The fair value of derivatives is determined using closing quoted market prices (where there is an active market) or a suitable pricing model based on discounted cash flow analysis using assumptions supported by observable market rates. Where derivatives are not quoted in an active market their fair value has been determined using (where available) quoted market inputs and other data relevant to assessing the value of the financial instrument, including financial guarantees granted by the Group, estimates of the probability of exercise.

Fair value of financial assets

The Group holds investments in listed and unlisted securities and 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.

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. For goodwill this involves value in use calculations which incorporate a number of key estimates and assumptions around cash flows and fair value of investment properties upon which these determine the revenue / cash flows. The assumptions used in the estimations of the recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS – Segment Information

30 JUNE 2019

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 self storage and commercial (office, retail and industrial) properties. This segment also includes the equity accounting of co-investments in property entities not engaged in development projects; and
- (b) Property Development: provides secured lending and is also responsible for the Group's investment in joint venture developments 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 (continued)

30 JUNE 2019

	Core Segments				Non Core Segments		Consolidated	
	Property Investments Commercial	Storage	Property Developments	Unallocated	Total Core Segments	Other		Eliminations
Year ended 30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Rental income	98,737	76,455	-	-	175,192	15	-	175,207
Finance income	-	-	42,152	419	42,571	9	-	42,580
Management and other fee income	8,345	-	-	-	8,345	-	(3,562)	4,783
Sale of inventory	-	-	36,659	-	36,659	11,184	-	47,843
Net change in fair value of investment properties and property, plant and equipment derecognised	13,532	-	-	-	13,532	(1,703)	1,703	13,532
Net change in fair value of investments and financial instruments derecognised	3,515	-	14,522	-	18,037	-	-	18,037
Net change in investment properties and property, plant & equipment held at balance date	18,264	51,376	-	-	69,640	-	-	69,640
Share of profit from equity accounted investments [^]	6,766	909	6,993	-	14,668	-	-	14,668
Other income	99	1,369	417	-	1,885	-	-	1,885
Total consolidated revenue	149,258	130,109	100,743	419	380,529	9,505	(1,859)	388,175
Property expenses and outgoings	(31,341)	(29,016)	-	-	(60,357)	(182)	-	(60,539)
Depreciation and amortisation expense	(2,151)	(757)	-	-	(2,908)	(3)	-	(2,911)
Cost of inventory sales	-	-	(29,090)	-	(29,090)	(7,939)	379	(36,650)
Net change in fair value of investments held at balance date	(53)	134	(2,413)	-	(2,332)	-	-	(2,332)
Net change in fair value of derivatives	-	-	-	(6,750)	(6,750)	-	-	(6,750)
Impairment charges	-	-	(7,771)	-	(7,771)	-	-	(7,771)
Administrative and other expenses	(24,163)	-	(9,666)	-	(33,829)	(611)	554	(33,886)
Segment result	91,550	100,470	51,803	(6,331)	237,492	770	(926)	237,336
Finance costs					(28,270)	(346)	-	(28,616)
Profit before tax					209,222	424	(926)	208,720
Income tax expense					(16,113)	-	-	(16,113)
Net profit for the year from continuing operations					193,109	424	(926)	192,607
Net profit after tax from discontinued operations					-	1,840	-	1,840
Net profit for the year					193,109	2,264	(926)	194,447
Plus non-controlling interest					-	8,276	-	8,276
Net profit for the year attributable to members of the Group					193,109	10,540	(926)	202,723

[^] includes fair value gain of \$1.3 million

NOTES TO THE FINANCIAL STATEMENTS – Segment Information (continued)

30 JUNE 2019

	Core Segments				Non Core Segments		Consolidated	
	Property Investments	Storage	Property Developments	Unallocated	Total Core Segments	Other		Eliminations
Year ended 30 June 2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Rental income	89,873	73,825	-	-	163,698	12	-	163,710
Finance income	-	-	47,460	295	47,755	13	-	47,768
Management and other fee income	7,888	-	-	-	7,888	-	(3,606)	4,282
Sale of inventory	-	-	63,821	-	63,821	12,754	-	76,575
Net change in fair value of investment properties derecognised	8,300	6,965	-	-	15,265	-	-	15,265
Net change in fair value of investments and financial instruments derecognised	2,318	-	6,686	-	9,004	-	-	9,004
Net gain on sale of property, plant & equipment	-	2,039	-	-	2,039	-	-	2,039
Net change in investment properties and property, plant & equipment held at balance date	18,410	42,314	-	-	60,724	-	-	60,724
Net change in fair value of derivatives	-	-	-	730	730	-	-	730
Share of profit from equity accounted investments ^	42,849	-	30,900	-	73,749	-	-	73,749
Other income	4,111	-	136	-	4,247	-	-	4,247
Total consolidated revenue	173,749	125,143	149,003	1,025	448,920	12,779	(3,606)	458,093
Property expenses and outgoings	(30,834)	(26,976)	-	-	(57,810)	(222)	-	(58,032)
Depreciation and amortisation expense	(2,312)	(424)	-	-	(2,736)	(3)	-	(2,739)
Cost of inventory sales	-	-	(50,388)	-	(50,388)	(9,977)	1,764	(58,601)
Net change in fair value of investments held at balance date	284	(42)	(6,605)	-	(6,363)	-	-	(6,363)
Impairment charges (reversal)	-	-	2,660	-	2,660	-	-	2,660
Administrative and other expenses	(21,091)	-	(9,040)	-	(30,131)	(1,004)	(442)	(31,577)
Segment result	119,796	97,701	85,630	1,025	304,152	1,573	(2,284)	303,441
Finance costs					(30,473)	(2,884)	2,099	(31,258)
Profit before tax					273,679	(1,311)	(185)	272,183
Income tax expense					(28,813)	-	-	(28,813)
Net profit for the year from continuing operations					244,866	(1,311)	(185)	243,370
Net profit after tax from discontinued operations					-	3,588	-	3,588
Net profit for the year					244,866	2,277	(185)	246,958
Less non-controlling interest					12	(3,261)	-	(3,249)
Net profit for the year attributable to members of the Group					244,878	(984)	(185)	243,709

^ includes fair value gain of \$4.6 million

NOTES TO THE FINANCIAL STATEMENTS – Segment Information (continued)

30 JUNE 2019

	Core Segments			Non Core Segments		Consolidated	
	Property Investment	Property Development	Unallocated	Total	Other		Eliminations
As at 30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	117,484	91,682	118,055	327,221	6,070	-	333,291
Non-current assets	2,205,373	242,225	50,589	2,498,187	1,230	(5,047)	2,494,370
Total assets	2,322,857	333,907	168,644	2,825,408	7,300	(5,047)	2,827,661
Current liabilities	17,465	7,434	54,251	79,150	253	-	79,403
Non-current liabilities	928	398	762,584	763,910	1,550	17,394	782,854
Total liabilities	18,393	7,832	816,835	843,060	1,803	17,394	862,257
Net assets	2,304,464	326,075	(648,191)	1,982,348	5,497	(22,441)	1,965,404
Total facilities - bank loans				1,047,750	-		1,047,750
Facilities used at reporting date - bank loans				(710,719)	-		(710,719)
Facilities unused at reporting date - bank loans				337,031	-		337,031
As at 30 June 2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	250,106	232,410	96,673	579,189	128,298	(40,510)	666,977
Non-current assets	1,880,362	217,025	41,529	2,138,916	620	(10,896)	2,128,640
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

30 JUNE 2019

1. REVENUE

	2019	2018
	\$'000	\$'000
Finance income		
Interest and fee income on secured loans - amortised cost	21,692	47,465
Interest and fee income on secured loans - fair value	20,460	-
Bank interest	428	303
Total finance income	42,580	47,768

The Group has adopted AASB 9 Financial Instruments. This resulted in the reclassification of \$125.8 million of secured loans – amortised cost to secured loans – fair value (refer to Note 12(d)). The comparative results for the year ended 30 June 2018 are not restated as permitted by the standard.

2. EARNINGS PER STAPLED SECURITY

	2019	2018
Basic and diluted earnings per stapled security (cents)	34.95	42.18
Basic and diluted earnings per stapled security for continuing operations (cents)	32.77	41.76
Reconciliation of earnings used in calculating earnings per stapled security		
<i>Basic and diluted earnings per stapled security</i>		
Continuing operations	190,034	241,281
Discontinued operations	12,689	2,428
Net profit (\$'000)	202,723	243,709
Weighted average number of shares:		
Weighted average number of stapled securities for basic earning per security ('000)	579,979	577,806

3. EXPENSES

	2019	2018
	\$'000	\$'000
(a) Depreciation and amortisation expenses		
Depreciation and amortisation of property, plant and equipment and software	1,084	1,093
Amortisation - leasing costs	1,827	1,646
Total depreciation and amortisation expenses	2,911	2,739
(b) Net change in fair value of investments held at balance date		
Net change in fair value of listed and unlisted property securities held at balance date	(81)	29
Net change in fair value of other investments held at balance date	2,413	6,334
Total change in fair value of investments held at balance date	2,332	6,363
(c) Finance costs		
Interest on loans	27,666	28,819
Amortisation of finance costs	950	2,439
Total finance costs	28,616	31,258

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

3. EXPENSES (continued)

	2019	2018
	\$'000	\$'000
(d) Administrative and other expenses		
Wages and salaries	17,319	18,052
Contributions to defined contribution plans	938	1,054
Provisions	4,647	-
Other expenses	10,982	12,471
Total administrative and other expenses	33,886	31,577

4. INCOME TAX

	2019	2018
	\$'000	\$'000
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement		
<i>Current income tax</i>		
Current income tax charge	10,740	26,989
Adjustments in respect of current income tax of previous years	(970)	1,271
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	6,343	553
Income tax expense reported in the income statement	16,113	28,813

(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of the accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Profit before tax from continuing operations	208,720	272,183
Profit before tax from discontinued operations	1,840	3,588
Profit before income tax expense	210,560	275,771
Prima facie income tax expense calculated at 30% (AU)	62,305	81,774
Prima facie income tax expense calculated at 28% (NZ)	805	893
Less prima facie income tax expense on profit from Trusts	(40,767)	(56,327)
Prima Facie income tax of entities subject to income tax	22,343	26,340
Adjustment of prior year tax applied	(970)	1,271
Unrecognised tax losses brought to account	(69)	7
Share of results of joint ventures and associates	(3,471)	3,899
Security acquisition rights	(999)	-
Other items (net)	(721)	(2,704)
Income tax expense reported in the income statement	16,113	28,813

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

4. INCOME TAX (continued)

	2019	2018
	\$'000	\$'000
(c) Recognised deferred tax assets and liabilities		
Deferred income tax relates to the following:		
Deferred tax liabilities		
Revaluation of investment properties at fair value	16,695	10,675
Capital allowances	1,691	1,976
Other	5,601	2,209
Gross deferred income tax liabilities	23,987	14,860
Set off against deferred tax assets	(6,011)	(2,642)
Net deferred income tax liabilities	17,976	12,218
Deferred tax assets		
Revaluation of investments and financial instruments at fair value	6,045	6,024
Provisions - other	8,949	1,500
Provisions - employee entitlements	3,270	2,272
Derecognition of deferred tax asset (losses - AHF)	-	(607)
Losses available for offset against future taxable income	-	655
Other	429	1,034
Gross deferred income tax assets	18,693	10,878
Set off of deferred tax liabilities	(6,011)	(2,642)
Net deferred income tax assets	12,682	8,236

Tax consolidation

AGHL and its 100% owned Australian resident subsidiaries, ASOL and its 100% owned Australian resident subsidiaries and AHL and its 100% owned Australian resident subsidiaries have formed separate tax consolidated groups. AGHL, ASOL and AHL are the head entity of their respective tax consolidated groups. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These amounts are measured in a manner that is consistent with the broad principles in AASB 112 Income Taxes. The nature of the tax funding agreements are discussed further below.

Nature of the tax funding agreement

Members of the respective tax consolidated groups have entered into tax funding agreements. The tax funding agreements require payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount allocated under the tax funding agreement and the allocation under Interpretation 1052, the head entity accounts for these as equity transactions.

The amounts receivable or payable under the tax funding agreements are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

5. INVESTMENT PROPERTIES

	2019	2018
	\$'000	\$'000
Leasehold investment properties ¹	12,824	12,690
Freehold investment properties	2,049,670	1,923,310
Total investment properties	2,062,494	1,936,000

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

	2019	2018
	\$'000	\$'000
Investment properties held for sale		
Office	22,310	-
Other	56,540	209,606
Total investment properties held for sale	78,850	209,606

Investment properties		
Office	938,992	809,284
Storage	841,509	661,953
Other	203,143	255,157
Total investment properties	1,983,644	1,726,394

Total investment properties including held for sale	2,062,494	1,936,000
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Reconciliation

A reconciliation of the carrying amount of investment properties at the beginning and end of the year is as follows. All investment properties are classified as Level 3 in accordance with the fair value hierarchy outlined in Note 12(d):

	Non-current	
	2019	2018
	\$'000	\$'000
Leasehold investment properties		
Carrying amount at beginning of the financial year	12,690	13,592
Capital expenditure	3	-
Net change in fair value as at balance date	131	(902)
Carrying amount at end of the year	12,824	12,690

	Held for sale		Non-current	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Freehold investment properties				
Carrying amount at beginning of the financial year	209,606	8,000	1,713,704	1,549,931
Additions	-	-	247,197	297,000
Capital expenditure	3,374	-	48,060	54,126
Net change in fair value as at balance date	-	-	69,509	61,627
Net change in fair value derecognised	3,028	-	10,524	15,265
Disposals	(216,008)	-	(48,250)	(57,956)
Effect of movements in foreign exchange	-	-	5,580	(4,683)
Transfer to inventory	-	-	(874)	-
Properties transferred to / from held for sale	78,850	201,606	(78,850)	(201,606)
Straightlining	-	-	4,220	-
Carrying amount at end of the year	78,850	209,606	1,970,820	1,713,704

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

5. INVESTMENT PROPERTIES (continued)

Investment properties are carried at the Directors' determination of fair value. The determination of fair value includes reference to the original acquisition cost together with capital expenditure since acquisition and either the latest full independent valuation, latest independent update or directors' valuation. Total acquisition costs include incidental costs of acquisition such as property taxes on acquisition, legal and professional fees and other acquisition related costs.

Sensitivity Information

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

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 11.

Abacus*

The weighted average capitalisation rate for Abacus is 6.31% (2018: 6.62%) and for each significant category above is as follows:

- Office – 5.92% (2018: 6.29%)
- Storage – 6.91% (2018: 7.45%)
- Other – 5.82% (2018: 5.99%)

The optimal occupancy rate utilised in the valuation process ranged from 80.0% to 100.0% (2018: 80.0% to 95.0%). The current occupancy rate for the principal portfolio excluding development and self storage assets is 91.9% (2018: 91.3%). The current occupancy rate for self storage assets is 88.5% (2018: 89.4%).

During the year ended 30 June 2019, 56% (2018: 56%) of the number of investment properties in the portfolio were subject to external valuations, the remaining 44% (2018: 44%) were subject to internal valuation.

* Excludes Abacus Hospitality Fund.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

5. INVESTMENT PROPERTIES (continued)

	Ownership Interest %	Fair Value 2019 \$'000	Capitalisation Rate 2019 %	Fair Value 2018 \$'000	Capitalisation Rate 2018 %
Office					
51 Allara Street, Canberra ACT	100	55,000	8.00	57,500	7.50
11 Bowden Street, Alexandria NSW	100	56,250	5.50	52,000	5.75
14 Martin Place, Sydney NSW	50	115,000	4.88	106,250	5.00
324 Queen Street, Brisbane QLD	50	79,250	6.00	70,000	6.50
Kingsgate, Fortitude Valley QLD ¹	50	80,750	5.75	-	-
Westpac House, Adelaide SA	50	83,825	6.75	90,000	7.00
452 Johnston Street, Abbotsford VIC	100	103,000	5.63	100,000	5.75
710 Collins Street, Melbourne VIC	100	107,500	5.13	99,500	5.25
464 St Kilda Road, Melbourne VIC	50	51,000	5.25	50,168	5.72
Other Office (11 assets; 2018: 11 assets)	50-100	229,727	6.43	183,866	7.39
Total Office		961,302	5.92	809,284	6.29
Self Storage					
ACT (8 facilities; 2018: 6 facilities)	100	141,955	6.84	101,164	7.29
NSW (17 facilities; 2018: 15 facilities)	100	209,758	7.05	156,926	7.61
QLD (13 facilities; 2018: 11 facilities)	100	128,349	6.73	94,921	7.31
VIC (19 facilities; 2018: 18 facilities)	100	199,253	6.79	178,247	7.32
WA (1 facilities; 2018: nil facilities) ²	100	16,000	6.75	-	-
NZ (12 facilities; 2018: 12 facilities)	100	146,194	7.12	130,695	7.70
Total Self Storage		841,509	6.91	661,953	7.45
Other					
Ashfield Shopping Centre, Ashfield NSW ³	50	102,500	5.50	204,595	5.50
Lutwyche City Centre, Lutwyche QLD ⁴	50	64,943	5.75	94,288	5.75
The Village, Bacchus Marsh VIC ⁵	-	-	-	60,650	6.50
Liverpool Plaza and adjoining sites, NSW ⁶	100	45,740	6.00	44,900	6.00
Other properties (5 assets; 2018: 6 assets)	100	46,500	6.45	60,330	7.51
Total Other		259,683	5.82	464,763	5.99

1. In August 2018 Abacus acquired a 50% interest in Kingsgate, Fortitude Valley.

2. In December 2018 Abacus acquired a property in Midland, WA.

3. In July 2018 Abacus divested a 50% interest in Ashfield Mall.

4. In October 2018 Abacus divested a 50% interest in Lutwyche City Shopping Centre and subsequently progressed redevelopment spend.

5. In July 2018 Abacus divested its 100% interest in The Village, Bacchus Marsh.

6. In March 2019 Abacus exchanged contracts on the divestment of the Liverpool Plaza and adjoining sites with settlement due in December 2019.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

6. INVENTORY

	2019	2018
	\$'000	\$'000
(a) Current		
Hotel supplies	-	237
Property developments ¹		
- purchase consideration	7,713	50,112
- development costs	5,287	19,161
- provision	(200)	(40,962)
	12,800	28,548
(b) Non-current		
Property developments ¹		
- purchase consideration	44,812	72,803
- development costs	997	3,354
	45,809	76,157
Total inventory	58,609	104,705

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

7. PROPERTY LOANS AND OTHER FINANCIAL ASSETS

	2019	2018
	\$'000	\$'000
(a) Current property loans		
Secured loans - amortised cost ¹	57,674	92,927
Interest receivable on secured loans - amortised cost	3,410	47,140
Provision for secured loans - amortised cost	(153)	-
Secured loans - fair value ²	53,982	65,524
Interest receivable on secured loans - fair value	7,796	10,668
	122,709	216,259
(b) Non-current property loans		
Secured loans - amortised cost ¹	93,836	66,473
Interest receivable on secured loans - amortised cost	58,358	2,719
Provision for secured loans - amortised cost	(15,249)	-
Secured loans - fair value ²	39,065	45,034
Interest receivable on secured loans - fair value	12,313	4,579
	188,323	118,805
(c) Non-current other financial assets		
Investment in securities - listed - fair value	46,978	-
Investment in securities and options - unlisted - fair value	1,277	1,329
Derivatives - projects - fair value	-	1,885
	48,255	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 30 June 2020 and the non-current facilities will mature between 1 July 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

30 JUNE 2019

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	Fordtrans Pty Ltd*		Merivale Pty Ltd		Oasis JV Unit Trust		Other Joint Ventures		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	12,104	23,722	50,110	192,389	17,950	13,451	133,170	736,931	213,334	966,493
Expenses	(10,749)	(10,699)	(46,220)	(161,082)	(8,163)	(12,420)	(107,429)	(630,958)	(172,561)	(815,159)
Net profit / (loss)	1,355	13,023	3,890	31,307	9,787	1,031	25,741	105,973	40,773	151,334
Share of net profit / (loss)	678	8,659	1,945	15,403	3,915	412	8,130	49,275	14,668	73,749

* Included in the net profit of Fordtrans Pty Ltd for the year ended 30 June 2019: interest income \$1.4 million (2018: \$1.4 million) and interest expense \$3.0 million (2018: \$2.9 million).

(b) Extract from joint ventures' balance sheets

	Fordtrans Pty Ltd*		Merivale Pty Ltd		Oasis JV Unit Trust		Other Joint Ventures		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	5,014	1,073	12,943	95,677	9,416	4,628	48,802	66,172	76,175	167,550
Non-current assets	208,318	215,214	-	-	159,000	146,281	149,709	97,047	517,027	458,542
	213,332	216,287	12,943	95,677	168,416	150,909	198,511	163,219	593,202	626,092
Current liabilities	(13,151)	(18,128)	(91)	(1,745)	(2,795)	(88,046)	(48,065)	(68,101)	(64,102)	(176,020)
Non-current liabilities	(64,313)	(64,800)	-	-	(92,971)	-	(17,360)	(22,372)	(174,644)	(87,172)
Net assets	135,868	133,359	12,852	93,932	72,650	62,863	133,086	72,746	354,456	362,900
Share of net assets	67,477	66,679	6,222	45,625	29,060	25,145	65,341	17,441	168,100	154,890

* Included in the net assets of Fordtrans Pty Ltd as at 30 June 2019: cash and cash equivalents \$0.3 million (2018: \$0.7 million), current interest bearing loans and borrowings \$Nil (2018: \$Nil) and non-current interest bearing loans and borrowings \$64.3 million (2018: \$64.8 million).

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

1. 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 and cafe. 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 distributions (including capital distributions) for the year ended 30 June 2019 was \$4.4 million (2018: \$7.2 million).

2. Merivale Pty Ltd (Ivy & Eve)

Abacus has a 49.2% interest in the ownership and voting rights of Merivale Pty Ltd. Merivale Pty Ltd's principal place of business is in South Brisbane.

Merivale Pty Ltd developed a residential development in Merivale Street, South Brisbane, Queensland. The development consists of two 30 storey residential towers, Ivy and Eve accommodating 472 one, two and three bedroom apartments overlooking the Brisbane River and CBD. At the year end, the joint venture owned 20 apartments which are for sale. Abacus jointly controls the venture with the other partners under the terms of Unitholders Agreement and requires major consent for all major decisions over the relevant activities.

Abacus received \$42.8 million of cash distributions (including capital distributions) during the year ended 30 June 2019 (2018: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

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

(c) Extract from joint ventures' balance sheets (continued)

3. Oasis JV Unit Trust (Oasis Shopping Centre)

Abacus has a 40.0% interest in the ownership of Oasis JV Unit Trust. Oasis JV Unit Trust's principal place of business is in Broadbeach, Queensland.

Oasis JV Unit Trust owns a sub-regional shopping centre at Broadbeach, Queensland. 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' received nominal distributions for years ended 30 June 2019 and 30 June 2018.

9. CASH AND CASH EQUIVALENTS

	2019	2018
	\$'000	\$'000
Reconciliation to Statement of Cash Flow		
For the purposes of the Statement of Cash Flow, cash and cash equivalents comprise the following at 30 June 2019		
Cash at bank and in hand ¹	89,028	103,256

1. Cash at bank earns interest at floating rates. The carrying amounts of cash and cash equivalents represent fair value.

Net profit	194,447	246,958
Adjustments for:		
Depreciation and amortisation of non-current assets	2,911	5,179
Net change in fair value of derivatives	6,750	(730)
Net change in fair value of investment properties held at balance date	(69,640)	(60,724)
Net change in fair value of investments held at balance date	2,332	6,363
Net change in fair value of investment properties derecognised	(13,436)	(15,265)
Net change in fair value of investment and financial instruments derecognised	(18,037)	(9,004)
Net (gain) / loss on disposal of property, plant and equipment	301	(2,039)
Share of profit from equity accounted investments	(14,668)	(73,749)
Increase / (decrease) in payables	(37,995)	23,476
(Increase) / decrease in inventories	45,429	1,524
(Increase) / decrease in receivables and other assets	10,698	72,277
Net cash from operating activities	109,092	194,266

(a) Disclosure of financing facilities

Refer to Note 11.

(b) Disclosure of non-cash financing facilities

Non-cash financing activities include capital raised pursuant to the Abacus distribution reinvestment plan. During the year 1.19 million (2018: 3.79 million) stapled securities were issued with a cash equivalent of \$4.2 million (2018: \$12.1 million).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

10. CAPITAL MANAGEMENT**Abacus**

Abacus comply with capital and distribution requirements of their constitutions and/or trust deeds, the capital requirements of relevant regulatory authorities and continue to operate as a going concern. Abacus also protects its equity in assets by taking out insurance.

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

The following strategies are available to the Group to manage its capital: issuing new stapled securities, its distribution reinvestment plan, electing to have the distribution reinvestment plan underwritten, adjusting the amount of distributions paid to members, activating a security buyback program, divesting assets, active management of its fixed rate swaps and collars, 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.

During the year, Abacus extended its bank loan facilities including its \$480 million Headstock syndicated facility by a further year to maintain its longest-date tranche as a 6-year loan facility. Abacus also increased and extended its self storage syndicated facility to \$510 million with the longest-dated tranche expiring in July 2024. Abacus has no bank debt expiring in FY2020.

Abacus has a total gearing covenant as a condition of the current \$480m Headstock syndicated facility and the \$11m Bilateral facility. The total gearing covenant requires Abacus to have total liabilities (net of cash) to be less than or equal to 50% of total tangible assets (net of cash). As at date of reporting period, Abacus was compliant in meeting all its debt covenants.

In July 2019 Abacus completed a fully underwritten institutional placement of 63.3 million new ordinary stapled securities at an issue price of \$3.95 per stapled security which raised \$250 million. A Security Purchase Plan ("SPP") has also been offered to eligible securityholders to apply for up to \$15,000 of new securities at \$3.95 per stapled security.

Consolidated Funds

The Capital Management approach and strategies employed by the Group are also deployed for AWLF which is consolidated in these accounts.

AWLF via its responsible entity complies with capital and distribution requirements of its constitution and/or deed, the capital requirements of relevant regulatory authorities and continue to operate as a going concern.

There is currently no Distribution Reinvestment Plan for AWLF.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

11. INTEREST BEARING LOANS AND BORROWINGS

	2019	2018
	\$'000	\$'000
Current		
Loan from related party - A\$	-	38,765
(a) Total current	-	38,765

	2019	2018
	\$'000	\$'000
Non-current		
Bank loans - A\$	638,050	624,636
Bank loans - A\$ value of NZ\$ denominated loan	73,299	70,334
Loan from related party - A\$	36,801	-
Less: Unamortised borrowing costs	(3,615)	(1,228)
(b) Total non-current	744,535	693,742

	2019	2018
	\$'000	\$'000
(c) Maturity profile of current and non-current interest bearing loans		
Due within one year	-	38,765
Due between one and five years	204,332	413,742
Due after five years	540,203	280,000
	744,535	732,507

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

Bank loans are \$A and \$NZ denominated and are provided by several banks at interest rates which are set periodically on a floating basis. The loans term to maturity varies from July 2020 to August 2025. The bank loans are secured by charges over the investment properties, certain inventory and certain property, plant and equipment.

Approximately 50.2% (2018: 41.7%) of bank debt drawn was subject to fixed rate hedges and the drawn bank debt has a weighted average term to maturity of 5.3 years (2018: 3.8 years). Hedge cover as a percentage of available facilities at 30 June 2019 is 34.1% (2018: 32.6%).

Abacus' weighted average interest rate as at 30 June 2019 was 4.02% (2018: 4.27%). Line fees on undrawn facilities contributed to 0.34% of the weighted average interest rate at 30 June 2019 (2018: 0.40%). Abacus' weighted average interest rate excluding the undrawn facilities line fees as at 30 June 2019 was 3.68% (2018: 3.87%).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

11. 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:

	2019	2018
	\$'000	\$'000
Current		
<i>First mortgage</i>		
Investment properties held for sale	68,050	162,948
Total current assets pledged as security	68,050	162,948
Non-current		
<i>First mortgage</i>		
Inventory	-	12,481
Investment properties	1,896,955	1,636,334
Total non-current assets pledged as security	1,896,955	1,648,815
Total assets pledged as security	1,965,005	1,811,763

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

12. FINANCIAL INSTRUMENTS

Financial Risk Management

The risks arising from the use of the Group's financial instruments are credit risk, liquidity risk and market risk (interest rate risk, price risk and foreign currency risk).

The Group's financial risk management focuses on mitigating the unpredictability of the financial markets and its impact on the financial performance of the Group. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Primary responsibility for identification and control of financial risks rests with the Treasury Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in derivatives, hedging cover of interest rate risks and cash flow forecast projections.

The main purpose of the financial instruments used by the Group is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions principally interest rate derivatives. The purpose is to manage the interest rate exposure arising from the Group's operations and its sources of finance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in the section about this report and Note 23 to the financial statements.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, investment in securities and options, secured property loans and interest bearing loans and derivatives with banks.

The Group manages its exposure to risk by:

- derivative counterparties and cash transactions are limited to high credit quality financial institutions;
- policy which limits the amount of credit exposure to any one financial institution;
- providing loans as an investment into joint ventures, associates, related parties and third parties where it is satisfied with the underlying property exposure within that entity;
- regularly monitoring loans and receivables balances on an ongoing basis;
- regularly monitoring the performance of its associates, joint ventures, related parties and third parties on an ongoing basis; and
- obtaining collateral as security (where required or appropriate).

The Group's credit risk is predominately driven by its Property Developments business which provides loans to third parties, those using the funds for property development and / or investment. The Group mitigates the exposure to this risk by evaluation of the application before acceptance. The analysis will specifically focus on:

- the Loan Valuation Ratio (LVR) at drawdown;
- mortgage ranking;
- background of the developer (borrower) including previous developments;
- background of the owner (borrower) including previous investment track record;
- that the terms and conditions of higher ranking mortgages are acceptable to the Group;
- appropriate property insurances are in place with a copy provided to the Group; and
- market analysis of the completed development being used to service drawdown.

The Group also mitigates this risk by ensuring adequate security is obtained and timely monitoring of the financial instrument to identify any potential adverse changes in the credit quality.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

12. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Credit risk exposures

The Group's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2019	2018
	\$'000	\$'000
Receivables	30,645	21,145
Secured property loans - amortised cost	213,278	209,260
Secured property loans - fair value	113,156	125,804
Other financial assets	48,255	3,214
Cash and cash equivalents	89,028	103,256
	494,362	462,679

As at 30 June 2019, the Group had the following concentrations of credit risk:

- Secured property loans: cross-collateralised loans which were secured by two large developments at Riverlands and Camellia and other small developments collectively represent 68% (2018: 56%) of the portfolio.

Secured property loans

The Group has a total investment of \$326.4 million in secured property loans as at 30 June 2019 (2018: \$335.0 million). Of these loans \$155.6 million has been renewed / extended beyond the original term on commercial terms (2018: \$76.0 million).

In accordance with the adoption of the accounting standard AASB 9, an expected credit loss (ECL) provision for the secured loans at amortised cost of \$14.3 million was recognised and a further \$1.1 million was recognised during the year. The total collateral value for secured loans with 12 month ECL is \$87.9 million against a maximum credit risk exposure of \$62.5 million and the total collateral value for secured loans with lifetime ECL is \$170.1 million against a maximum credit risk exposure of \$172.2 million. The credit risk grades of the secured property loans are below investment grade.

There is no credit impairment in respect of the secured property loans at amortised cost and receivables during the year. \$90.1 million loans are past due at 30 June 2019 (2018: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

12. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate and diverse amount of committed credit facilities, the ability to close out market positions and the flexibility to raise funds through the issue of new stapled securities or the distribution reinvestment plan.

The Group's policy is to maintain an available loan facility with banks sufficient to meet expected operational expenses and to finance investment acquisitions for a period of 90 days, including the servicing of financial obligations. Current loan facilities are assessed and extended for a maximum period based on the Group's expectations of future interest and market conditions.

The table below shows an analysis of the contractual maturities of key liabilities which forms part of the Group's assessment of liquidity risk.

	Carrying Amount	Contractual cash flows	1 Year or less	Over 1 year to 5 years	Over 5 years
30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities					
Trade and other payables	73,475	73,475	73,475	-	-
Interest bearing loans and borrowings incl derivatives#	761,227	902,742	34,344	290,230	578,168
Total liabilities	834,702	976,217	107,819	290,230	578,168

	Carrying Amount	Contractual cash flows	1 Year or less	Over 1 year to 5 years	Over 5 years
30 June 2018	\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities					
Trade and other payables	88,568	88,568	88,568	-	-
Interest bearing loans and borrowings incl derivatives#	745,415	863,123	73,285	503,225	286,613
Total liabilities	833,983	951,691	161,853	503,225	286,613

Carrying amount includes fair value of derivative liabilities. Contractual cash flows includes contracted debt and net swap payments using prevailing forward rates

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk / Fair value interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term bank debt obligations which are based on floating interest rates. The Group has a policy to maintain a mix of floating exposure and fixed interest rate hedging with fixed rate cover highest in years 1 to 5.

The Group hedges to minimise interest rate risk by entering into variable to fixed interest rate swaps which also helps deliver interest covenant compliance and positive carry (net rental income in excess of interest expense) on the property portfolio. Interest rate swaps have the economic effect of converting borrowings from variable rates to fixed rates. Under the interest rate swaps, the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to the agreed notional principal amounts. At 30 June 2019, after taking into account the effect of interest rate swaps, approximately 50.2% (2018: 41.7%) of the Group's drawn debt is subject to fixed rate hedges. Hedge cover as a percentage of available facilities at 30 June 2019 is 34.1% (2018: 32.6%). As the Group holds interest rate swaps against its variable rate debt there is a risk that the economic value of a financial instrument will fluctuate because of changes in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

12. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

Interest rate risk / Fair value interest rate risk (continued)

The Group's exposure to interest rate risk and the effective weighted average interest rates for each class of financial asset and financial liability are:

Abacus[^]

	Floating interest rate \$'000	Fixed interest less than 1 year \$'000	Fixed interest 1 to 5 years \$'000	Fixed interest over 5 years \$'000	Non interest bearing \$'000	Total \$'000
30 June 2019						
Financial Assets						
Cash and cash equivalents	88,703	-	-	-	-	88,703
Receivables	-	-	-	-	30,116	30,116
Secured loans	-	305,243	21,190	-	-	326,433
Total financial assets	88,703	305,243	21,190	-	30,116	445,252
Weighted average interest rate*	1.35%	9.94%	17.77%			
Financial liabilities						
Interest bearing liabilities - bank	663,969	-	-	46,750	-	710,719
Interest bearing liabilities - other	-	-	36,801	-	-	36,801
Derivatives	-	-	-	-	16,692	16,692
Payables	-	-	-	-	73,222	73,222
Total financial liabilities	663,969	-	36,801	46,750	89,914	837,434
Notional principal swap balance maturities*	-	-	310,000	-	-	310,000
Weighted average interest rate on drawn bank debt*	4.02%					

	Floating interest rate \$'000	Fixed interest less than 1 year \$'000	Fixed interest 1 to 5 years \$'000	Fixed interest over 5 years \$'000	Non interest bearing \$'000	Total \$'000
30 June 2018						
Financial Assets						
Cash and cash equivalents	73,262	-	-	-	-	73,262
Receivables	-	-	-	-	20,133	20,133
Secured loans	-	266,725	68,339	-	-	335,064
Derivatives	-	-	-	-	-	-
Total financial assets	73,262	266,725	68,339	-	20,133	428,459
Weighted average interest rate*	1.60%	10.91%	9.96%			
Financial liabilities						
Interest bearing liabilities - bank	694,970	-	-	-	-	694,970
Interest bearing liabilities - other	-	12,078	-	-	-	12,078
Derivatives	-	-	-	-	12,908	12,908
Payables	-	-	-	-	82,099	82,099
Total financial liabilities	694,970	12,078	-	-	95,007	802,055
Notional principal swap balance maturities*	-	110,000	180,000	-	-	290,000
Weighted average interest rate on drawn bank debt*	4.27%					

* calculated at 30 June

[^] excludes Abacus Hospitality Fund and Abacus Wodonga Land Fund

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

12. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

Interest rate risk / Fair value interest rate risk (continued)

Other[^]

	Floating interest rate \$'000	Fixed interest less than 1 year \$'000	Fixed interest 1 to 5 years \$'000	Fixed interest over 5 years \$'000	Non interest bearing \$'000	Total \$'000
30 June 2019						
Financial Assets						
Cash and cash equivalents	325	-	-	-	-	325
Receivables	-	-	-	-	529	529
Total financial assets	325	-	-	-	529	854

Weighted average interest rate* 1.35%

Financial liabilities

Payables	-	-	-	-	253	253
Total financial liabilities	-	-	-	-	253	253

	Floating interest rate \$'000	Fixed interest less than 1 year \$'000	Fixed interest 1 to 5 years \$'000	Fixed interest over 5 years \$'000	Non interest bearing \$'000	Total \$'000
30 June 2018						
Financial Assets						
Cash and cash equivalents	29,994	-	-	-	-	29,994
Receivables	-	-	-	-	1,012	1,012
Total financial assets	29,994	-	-	-	1,012	31,006

Weighted average interest rate* 1.60%

Financial liabilities

Payables	-	-	-	-	6,469	6,469
Total financial liabilities	-	-	-	-	6,469	6,469

* calculated at 30 June

[^] Includes Abacus Hospitality Fund and Abacus Wodonga Land Fund

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

12. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

Interest rate risk / Fair value interest rate risk (continued)

The following table is a summary of the interest rate sensitivity analysis:

	Carrying amount	AUD			
		Floating	-1%	+1%	
			Profit	Equity	Profit
30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets	89,028	(890)	-	890	-
Financial liabilities	680,662	(4,711)	-	2,953	-

	Carrying amount	AUD			
		Floating	-1%	+1%	
			Profit	Equity	Profit
30 June 2018	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets	103,256	(1,033)	-	1,033	-
Financial liabilities	707,878	(1,400)	-	1,294	-

The analysis for the interest rate sensitivity of financial liabilities includes derivatives.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

12. FINANCIAL INSTRUMENTS (continued)

(d) Fair values

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

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	Discount rate Net operating income 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
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
Securities and options - listed	Level 1	Quoted prices (unadjusted) in active market for identical assets or liabilities	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

30 JUNE 2019

12. FINANCIAL INSTRUMENTS (continued)

(d) Fair values (continued)

The following table is a reconciliation of the movements in secured loans, derivatives (projects), unlisted securities and options classified as Level 3 for the year ended 30 June 2019.

	Secured loans \$'000	Derivatives - projects \$'000	Unlisted securities/ options \$'000	Total \$'000
Opening balance as at 30 June 2018	125,805	1,885	1,329	129,019
Fair value movement through the income statement	(529)	(1,885)	(52)	(2,466)
Additions	10,797	-	-	10,797
Disposals	(22,917)	-	-	(22,917)
Closing balance as at 30 June 2019	113,156	-	1,277	114,433

	Secured loans \$'000	Derivatives - projects \$'000	Unlisted securities/ options \$'000	Total \$'000
Opening balance as at 30 June 2017	-	13,263	6,792	20,055
Fair value movement through the income statement	-	(6,605)	(29)	(6,634)
Disposals	-	-	(5,434)	(5,434)
Reclassify secured loans - amortised costs to secured loans - fair value	125,805	(4,773)	-	121,032
Closing balance as at 30 June 2018	125,805	1,885	1,329	129,019

Sensitivity of Level 3 – secured loans

The fair values of the secured loans are impacted by the underlying property development valuations and returns. 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 \$0.4 million (2018: \$0.3 million) or increase the fair value by \$0.4 million (2018: \$0.3 million).

Sensitivity of Level 3 – 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 (2018: \$0.1 million) or increase the fair value by \$0.1 million (2018: \$0.1 million).

13. CONTRIBUTED EQUITY

	2019 \$'000	2018 \$'000
(a) Issued stapled securities		
Stapled securities	1,639,203	1,635,046
Issue costs	(40,058)	(40,058)
Total contributed equity	1,599,145	1,594,988

	Stapled securities	
	Number 2019 '000	Number 2018 '000
(b) Movement in stapled securities on issue		
At beginning of financial year	579,363	575,570
- distribution reinvestment plan	1,192	3,793
Securities on issue at end of financial year	580,555	579,363

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

14. DISTRIBUTIONS PAID AND PROPOSED

	2019	2018
Abacus	\$'000	\$'000
(a) Distributions paid during the year		
June 2018 half: 9.00 cents per stapled security (2017: 8.75 cents)	52,143	50,362
December 2018 half: 9.25 cents per stapled security (2017: 9.00 cents)	53,631	51,975
(b) Distributions proposed and recognised as a liability[^]		
June 2019 half: 9.25 cents per stapled security (2018: 9.00 cents)	53,701	52,143

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

[^] The final distribution of 9.25 cents per stapled security was declared on 21 June 2019. The distribution being paid on or around 30 August 2019 will be approximately \$53.7 million.

	2019	2018
Non-core funds	\$'000	\$'000
(a) Distributions paid during the year		
Abacus Hospitality Fund	1,105	1,471
(b) Distributions proposed		
Abacus Hospitality Fund - not recognised	-	368

The total amount of franking credits available for the subsequent financial years including franking credits that will arise from the payment of income tax payable at the end of the financial year, based on a tax rate of 30 per cent, is \$71 million (2018: \$62 million).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

15. PARENT ENTITY FINANCIAL INFORMATION

	2019	2018
	\$'000	\$'000
Results of the parent entity		
Profit for the year	8,069	6,388
Total comprehensive expense for the year	8,069	6,388
Financial position of the parent entity at year end		
Current assets	14,527	35,551
Total assets	389,403	353,113
Current liabilities	92	29,931
Total liabilities	98,007	74,256
Net assets	291,396	278,857
Total equity of the parent entity comprising of:		
Issued capital	349,226	348,331
Accumulated losses	(61,850)	(73,488)
Employee options reserve	4,020	4,014
Total equity	291,396	278,857

(a) Parent entity contingencies

As at 30 June 2019, the parent entity has entered into, or still bound by, the following agreements:

- Act as guarantor for borrowings for certain joint venture arrangements to a guarantee limit of \$6.6 million (30 June 2018: \$3.5 million). No property security has been provided by the parent.

(b) Parent entity capital commitments

There are no capital commitments of the parent entity as at 30 June 2019 (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

16. PROPERTY, PLANT AND EQUIPMENT

The following table is a reconciliation of the movements of property, plant and equipment for the year ended 30 June 2019.

	2019	2018
	\$'000	\$'000
Property, plant and equipment held for sale		
Current		
Hotel property	-	88,500
Total current property, plant and equipment held for sale	-	88,500
Non-current		
Storage properties	8,802	3,848
Office equipment / furniture and fittings	1,746	952
Total non-current property, plant and equipment	10,548	4,800
Total property, plant and equipment including held for sale	10,548	93,300

The hotel property held for sale is measured at the lower of their carrying amount and fair value less costs to sell.

	2019	2018
	\$'000	\$'000
Land and buildings		
At the beginning of the year 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 year	-	(921)
At the end of the year net of accumulated depreciation	-	81,068
Gross value	-	91,300
Accumulated depreciation	-	(10,232)
Net carrying amount at end of the year	-	81,068
Plant and equipment		
Gross value	18,586	33,155
Accumulated depreciation	(8,038)	(20,923)
Net carrying amount at end of the year	10,548	12,232
Total	10,548	93,300

If property, plant and equipment was carried under the cost model, the carrying amount would be \$10.5 million (2018: \$63.5 million).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

17. COMMITMENTS AND CONTINGENCIES

Abacus

(a) Operating lease commitments – Group as lessee

The Group has entered into a commercial lease on its offices. The lease has a term of five years with an option to renew for another five years.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2019 are as follows:

	2019	2018
	\$'000	\$'000
Within one year	1,075	1,034
After one year but not more than five years	2,875	3,950
	3,950	4,984

(b) Operating lease commitments – Group as lessor

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2019 are as follows:

	2019	2018
	\$'000	\$'000
Within one year	53,462	65,911
After one year but not more than five years	131,330	163,353
More than five years	30,357	62,749
	215,149	292,013

These amounts do not include contingent rentals which may become receivable under certain leases on the basis of retail sales in excess of stipulated minimums and, in addition, do not include recovery of outgoings.

(c) Capital and other commitments

At 30 June 2019 the Group had numerous commitments and contingent liabilities which principally related to property acquisition settlements, loan facility guarantees for the Group's interest in the jointly controlled property developments and funds management vehicles, commitments relating to property refurbishing costs and unused mortgage loan facilities to third parties.

Commitments planned and/or contracted at reporting date but not recognised as liabilities are as follows:

	2019	2018
	\$'000	\$'000
Within one year		
- gross settlement of property acquisitions	4,680	15,750
- property refurbishment costs	5,426	6,574
- property development costs	22,141	19,546
- unused portion of loan facilities to outside parties	32,315	35,694
	64,562	77,564

Contingent liabilities:

Within one year		
- corporate guarantee	6,572	3,520
	6,572	3,520

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

18. RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial statements include the financial statements of the following entities:

Entity	equity interest	
	2019	2018
	%	%
<i>Abacus Group Holdings Limited and its subsidiaries</i>		
Abacus Castle Hill Trust	100	100
Abacus Cobar Trust	-	100
Abacus Finance Pty Limited	100	100
Abacus Funds Management Limited	100	100
Abacus Griffith Avenue Trust	-	100
Abacus Hampstead Trust	100	100
Abacus Investment Pty Ltd	100	100
Abacus Mortgage Fund	100	100
Abacus Mount Druitt Trust	-	100
Abacus Musswellbrook Pty Ltd	100	100
Abacus Nominee Services Pty Limited	100	100
Abacus Nominees (No 5) Pty Limited	100	100
Abacus Nominees (No 7) Pty Limited	100	100
Abacus Nominees (No 9) Pty Limited	100	100
Abacus Nominees (No 11) Pty Limited	100	100
Abacus Note Facilities Pty Ltd	100	100
Abacus Property Services Pty Ltd	100	100
Abacus SP Note Facility Pty Ltd	100	100
Abacus Storage Funds Management Limited	100	100
Abacus Wodonga Land Commercial Trust	100	100
Amiga Pty Ltd	-	75
Fitzroy Street Pty Ltd	100	100
Oasis Staffing Pty Ltd	100	100
Yarradale Developments Trust	100	100
Abacus Hobart Growth Trust	100	100
Abacus Melbat Trust	100	100
Hurstbat Pty Limited	100	100
Villemel Pty Limited	100	100
<i>Abacus Group Projects Limited and its subsidiaries</i>		
Abacus Property Pty Ltd	100	100
Abacus Allara Street Trust*	50	50
Abacus Repository Trust*	50	50
Abacus Ventures Trust*	51	51

* These entities are wholly owned by Abacus

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

18. RELATED PARTY DISCLOSURES (continued)

(a) Subsidiaries (continued)

Entity	equity interest	
	2019	2018
	%	%
<i>Abacus Trust and its subsidiaries:</i>		
Abacus 1769 Hume Highway Trust	100	100
Abacus Abbotsford Trust	100	100
Abacus AGOF Trust	100	100
Abacus Alderley Trust	100	100
Abacus Ann Street Trust	100	100
Abacus Ashfield Mall Property Trust	100	100
Abacus Australian Aggregation Holding Trust	100	100
Abacus Australis Drive Trust	-	100
Abacus Bacchus Marsh Trust	-	100
Abacus Bowden Street Trust	100	100
Abacus Browns Road Trust	100	100
Abacus Jetstream Trust	100	100
Abacus K1 Property Trust	100	-
Abacus Liverpool Plaza Trust	100	100
Abacus Lutwyche Trust	100	100
Abacus Macquarie Street Trust	100	100
Abacus Moore Street Trust	100	100
Abacus Northshore Trust 1*	25	25
Abacus Northshore Trust 2*	25	25
Abacus Oasis Trust	100	100
Abacus Potts Point Trust	100	-
Abacus Premier Parking Trust	100	100
Abacus Richmond Trust	100	-
Abacus Shopping Centre Trust	100	100
Abacus Short Street Trust	100	100
Abacus SP Fund	100	100
Abacus St Leonards Trust	100	100
Abacus Varsity Lakes Trust	100	100
Abacus Virginia Trust	100	100
Abacus Westpac House Trust	100	100
Abacus Westpac House No. 2 Trust	100	100
Abacus WTC Trust	100	100
Abacus 14 Martin Place Trust	100	100
Abacus 33 Queen Street Trust	100	100
Abacus 324 Queen Street Trust	100	100
Abacus 464 St Kilda Road Trust	100	100
Abacus 710 Collins Street Trust	100	100
444 Queen Street Trust	100	100
Lutwyche City Shopping Centre Unit Trust	100	100
<i>Abacus Income Trust and its subsidiaries:</i>		
Abacus Brendale Trust	100	100
Abacus Eagle Farm Trust	100	100
Abacus Grant Street Trust	100	100
Abacus Retail Property Trust	-	100
Abacus Todd Road Trust	100	100

* These entities are wholly owned by Abacus

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

18. RELATED PARTY DISCLOSURES (continued)

(a) Subsidiaries (continued)

Entity	equity interest	
	2019	2018
	%	%
<i>Abacus Storage Operations Limited and its subsidiaries:</i>		
Abacus Storage NZ Operations Pty Limited	100	100
Abacus Storage Solutions Pty Limited	100	100
Abacus Storage Solutions NZ Pty Limited	100	100
Abacus USI C Trust	100	100
Abacus U Stow It A1 Trust	100	100
Abacus U Stow It B1 Trust	100	100
Abacus U Stow It A2 Trust	100	100
Abacus U Stow It B2 Trust	100	100
U Stow It Holdings Limited	100	100
U Stow It Pty Limited	100	100
Abacus SK Pty Limited	100	100
<i>Abacus Storage Property Trust and its subsidiary:</i>		
Abacus Storage NZ Property Trust	100	100
Abacus Hospitality Fund	10	10
Abacus Wodonga Land Fund	15	15

Subsidiaries controlled by the Group with material non-controlling interest

	Principal place of business	% held by NCI	(Profit)/loss allocated to NCI \$'000	Accumulated NCI \$'000
30 June 2019				
Abacus Hospitality Fund	Australia	90	11,953	-
Abacus Wodonga Land Fund	Australia	85	(2,572)	4,673
30 June 2018				
Abacus Hospitality Fund	Australia	90	(5,017)	44,536
Abacus Wodonga Land Fund	Australia	85	(2,101)	2,101

(b) Ultimate parent

AGHL has been designated as the parent entity of the Group.

(c) Key management personnel

Details of payments are disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

18. RELATED PARTY DISCLOSURES (continued)

(d) Transactions with related parties

	2019	2018
	\$'000	\$'000
Transactions with related parties other than associates and joint ventures		
Revenues		
Property management fees received / receivable	222	206
Transactions with associates and joint ventures		
Revenues		
Management fees received / receivable from joint ventures	2,940	3,510
Revenue received / receivable from joint ventures	15,793	82,743
Other transactions		
Loan advanced to joint ventures	(2,643)	(13,158)
Loan repayments from joint ventures	19,998	48,735
Loan advanced from joint ventures	346	785
Loan repayments to joint ventures	(18,242)	-

Terms and conditions of transactions

Fees to and purchases and fees charged from related parties are made in accordance with commercial terms in the management agreements.

Outstanding balances at year-end are unsecured and settlement occurs in cash.

There are no provisions or bad debts incurred with respect to amounts payable or receivable from related parties during the year.

Entity with significant influence

Calculator Australia Pty Ltd ("Kirsh") is a significant securityholder in the Group with a holding of approximately 45% of the ordinary securities of the Group (2018: 49%).

During the year, Abacus Property Services Pty Ltd was engaged to manage the following properties:

Property	Relationship with Kirsh	Charge per annum	2019	2018
			\$	\$
14 Martin Place	Tenants-in-common	3% of gross rental	203,135	181,422
4 Martin Place	100% owned by Kirsh	3% of gross rental	222,481	206,237

Mrs Myra Salkinder is a non-executive director of the Group and is a senior executive of Kirsh.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

19. KEY MANAGEMENT PERSONNEL**(a) Compensation for key management personnel**

	2019	2018
	\$	\$
Short-term employee benefits	3,999,974	5,699,461
Post-employment benefits	134,426	170,009
Other long-term benefits	31,502	58,562
Security-based payments	523,277	1,842,125
	4,689,179	7,770,157

(b) Loans to key management personnel

There were no loans to key management personnel and their related parties at any time in 2019 or in the prior year.

(c) Other transactions and balances with key management personnel and their related parties

During the financial year, transactions occurred between the Group and Key Management Personnel which are within normal employee and investor relationships.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

20. SECURITY BASED PAYMENTS

(a) Recognised security payment expenses

The expense recognised for employee services received during the year is as follows:

	2019	2018
	\$'000	\$'000
Expense arising from equity-settled payment transactions	2,049	3,296

(b) Type of security – based payment plan

Security Acquisition Rights (SARs)

The deferred variable incentive plan has been designed to align the interests of executives with those of securityholders by providing for a significant portion of the remuneration of participating executives to be linked to the delivery of sustainable underlying profit that covers the distribution level implicit in the Group's security price.

Key executives have been allocated SARs in the current financial year generally equal to the last current variable incentive paid. Allocations were based on the performance assessment completed in determining current variable incentive awards for the prior financial year, adjusted to take into account other factors that the Board considers specifically relevant to the purpose of providing deferred variable incentives.

The SARs granted during the year vest as follows:

Vesting date	Amount Vested*	Potential number to vest
September 2019	One quarter of the initial issue	189,254
September 2020	One quarter of the initial issue	189,254
September 2021	One quarter of the initial issue	189,254
September 2022	One quarter of the initial issue	189,254

* The Board is able to claw back unvested SARs if the distribution level fails by more than 10% below the sustainable annual distribution rate

For valuation purposes the SARs are equivalent to European call options (in that they may be "exercised" only at their maturity (i.e. vesting date)). The fair value of the SARs granted is estimated at the date of the grant using a trinomial tree model (using 500 steps) cross checked by a modified Black-Scholes model. The trinomial tree model and the Black-Scholes model generally produce the same values for an option over a non-dividend paying share, or where the option is entitled to the same distributions as are paid on the underlying security, as is assumed in this case, and if the time to exercise is the same, (i.e. at the end of the term).

When SARs vest they will convert into ABP securities on a one for one basis or at the Board's discretion a cash equivalent amount will be paid.

NOTES TO THE FINANCIAL STATEMENTS

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20. SECURITY BASED PAYMENTS (continued)

(c) Summary of SARs granted

The following table illustrates movements in SARs during this year:

	2019	2018
	No.	No.
Opening balance	1,424,537	2,098,316
Granted during the year	757,016	730,244
Forfeited during the year	-	-
Vested during the year	(578,485)	(1,404,023)
Outstanding at the end of the year	1,603,068	1,424,537
Exercisable at the end of the year	-	-

The weighted average remaining life of the instrument at 30 June 2019 was 1.2 years (2018: 1.2 years) and the weighted average fair value of the SARs granted during the year was \$2.89 (2018: \$3.57).

The following table lists the inputs to the model used for the SARs plan for the years ended 30 June 2019 and 30 June 2018:

	2019	2018
Expected volatility (%)	20	19
Risk-free interest rate (%)	1.52 - 2.27	1.53 - 2.04
Life of instrument (years)	0.8 - 3.8	0.8 - 3.8
Model used	Trinomial	Trinomial

The expected life of the SARs is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the SARs is indicative of future trends, which may not necessarily be the actual outcome.

NOTES TO THE FINANCIAL STATEMENTS

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21. INTANGIBLE ASSETS AND GOODWILL**Description of the Group's intangible assets**

	2019	2018
	\$'000	\$'000
Goodwill		
Balance at 1 July	32,394	32,394
Balance at 30 June	32,394	32,394

Impairment tests for goodwill with indefinite useful lives*(i) Description of the cash generating units and other relevant information*

Goodwill acquired through business combinations for the purposes of impairment testing is allocated to one of the Group's property / asset management business or a cash generating unit relating to one of the Group's segment. The recoverable amount of the unit has been determined based on a fair value less costs to sell calculation using cash flow projections as at 30 June 2019 covering a five-year period.

(ii) Key assumptions used in valuation calculations

Goodwill – the calculation of fair value less costs to sell is most sensitive to the following assumptions:

- a. Management and other fee income: based on actual income and funds under management within the financial year.
- b. Discount rates: reflects management's estimate of the time value of money and the risks specific to each unit that are not reflected in the cash flows
- c. Property values of the funds/properties under management: based on the fair value of properties
- d. Selling costs: management's estimate of costs to sell the funds/properties under management
- e. A pre-tax discount rate of 9.40% (2018: 9.40%) and a terminal growth rate of 2.7% (2018: 2.7%) have been applied to the cash flow projections

(iii) Sensitivity to changes in assumptions

Significant and prolonged property value falls and market influences which could increase discount rates could cause goodwill to be impaired in the future, however, the goodwill valuation as at 30 June 2019 has significant head room thus no reasonable changes in the assumptions would cause or give rise to an impairment.

NOTES TO THE FINANCIAL STATEMENTS

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22. DISCONTINUED OPERATIONS

At 30 June 2019, Abacus Hospitality Fund is classified as a discontinued operation as the Fund is in process of being wound up. Abacus Hospitality Fund is presented in the segment note within the non core segment. The results of Abacus Hospitality Limited for the year are presented as follows:

	2019	2018
	\$'000	\$'000
Hotel income	5,565	26,211
Finance income	979	637
Other income	25	32
Total Revenue and Other Income	6,569	26,880
Hotel expenses	(4,144)	(20,491)
Depreciation and amortisation expenses	-	(2,440)
Net change in fair value of investment properties and property, plant and equipment derecognised	(397)	-
Administrative and other expenses	(188)	(361)
PROFIT BEFORE TAX FROM DISCONTINUED OPERATIONS	1,840	3,588
Income tax expense	-	-
NET PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS	1,840	3,588

At 30 June 2019, Abacus Hospitality Fund has no assets or liabilities.

The net cash flow incurred by Abacus Hospitality Fund are as follows:

	2019	2018
	\$'000	\$'000
Operating	(9,636)	3,409
Investing	83,405	(888)
Financing	(102,856)	(1,471)
Net cash (outflow) / inflow	(29,087)	1,050

Basic and diluted earnings per stapled security from discontinued operations (cents)	2.19	0.42
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NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for investment properties and derivative financial instruments which have been measured at fair value, interests 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 to the Group under ASIC Corporations Instrument 2016/191. The Group is an entity to which the instrument applies.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS), as issued by the AASB and IASB respectively.

(c) New accounting standards and interpretations*(i) Changes in accounting policy and disclosures*

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards and interpretations effective as of 1 July 2018.

The Group has adopted the following new or amended 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 7).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(c) 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 SPPI. 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 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 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

30 JUNE 2019

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(c) 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. Events of default are when a borrower is unable to meet their requirements under loan agreement such as the inability to meet interest and repayment requirements.

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.

The financial asset is written off when there is objective evidence of the inability of the borrower to repay the outstanding balance of the loan.

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

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions.
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments.
- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretation issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2019. The significant new standards or amendments are outlined below:

- Leases (effective 1 January 2019 / applicable for Group 1 July 2019)
AASB 16 supersedes: AASB 117 Leases and associated interpretations.

The key features of AASB 16 are as follows:

Lessee accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset of low value
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease
- AASB 16 contains disclosure requirements for lessees

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment that are considered of low value.

The Group has reviewed terms of its lease agreement and has considered that the impact to the Group's results to be immaterial.

- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures (effective 1 January 2019).

This amends AASB 128 Investments in Associates and Joint Ventures to clarify that an entity is required to account for long-term interests in an associate or joint venture (which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied), using AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128. This amendment is not expected to have a significant impact on the financial statements on application.

- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle (effective 1 January 2019)

The amendments clarify certain requirements in:

- (i) AASB 3 Business Combinations and AASB 11 Joint Arrangements – previously held interest in a joint operation;
- (ii) AASB 112 Income Taxes – income tax consequences of payments on financial instruments classified as equity; and
- (iii) AASB 123 Borrowing Costs – borrowing costs eligible for capitalisation.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(c) New accounting standards and interpretations (continued)**

These amendments are not expected to have a significant impact on the financial statements on application.

- AASB Interpretation 23 Uncertainty over Income Tax Treatments, and relevant amending standards (effective 1 January 2019)

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. This standard is not expected to have a significant impact on the financial statements on application.

- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective from 1 January 2022)

This amends AASB 10 – Consolidated Financial Statements and AASB 128 – Investments in Associates and Joint Ventures to address an inconsistency between the requirements of AASB 10 and AASB 128 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. This amendment is not expected to have a significant impact on the financial statements on application.

(d) 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 the Group.

Subsidiaries are all those entities over which the Group has power over the investee such that the Group is able to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns.

The adoption of AASB 10 resulted in the consolidation of Abacus Hospitality Fund and Abacus Wodonga Land Fund. This is due to the combination of the Group's role as responsible entity and its exposure to variable returns arising from its collective equity and loan investments in these funds and certain guarantees.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies with adjustments made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits from intra-group transactions, have been eliminated in full and subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Group has control.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Non-controlling interests are allocated their share of net profit after tax in the consolidated income statement and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Non-controlling interests represent those equity interests in Abacus Hospitality Fund and Abacus Wodonga Land Fund 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

30 JUNE 2019

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(e) Foreign currency translation***Functional and presentation currency*

Both the functional and presentation currency of the Group are in Australian dollars. Each entity in the Group determines its own functional currency and items are included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings on translation of foreign operations that provide a hedge against a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

At reporting date the assets and liabilities of foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at balance date and the financial performance is translated at the average exchange rate prevailing during the reporting period. The exchange differences arising on translation are taken directly to the foreign currency translation reserve in equity.

(f) Revenue recognition

Revenue is recognised when performance obligations have been met and is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rental income

Rental income from investment properties is accounted for on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income.

Hotel income

Revenue from rooms is recognised and accrued on the provision of rooms or on the date which rooms are to be provided in accordance with the terms and conditions of the bookings. Advance deposits from customers received are not recognised as revenue until such time when the rooms have been provided or when the customers forfeit the deposits due to failure of attendance.

Finance income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost or principal of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Management and other fee income

Revenue from rendering of services is recognised in accordance with the performance obligations under the terms and conditions of the service agreements and the accounting standards.

Dividends and distributions

Revenue is recognised when the Group's right to receive the payment is established.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(f) Revenue recognition (continued)**

Net change in fair value of investments and financial instruments derecognised during the year

Revenue from sale of investments is recognised on settlement when all performance obligations under the contract have been met. Performance obligations are generally considered to have been met at the time of settlement of the sale. Financial instruments are derecognised when the right to receive or pay cash flows from the financial derivative has expired or when the entity transfers substantially all the risks and rewards and the performance obligations of the financial derivative through termination. Gains or losses due to derecognition are recognised in the statement of comprehensive income.

Net change in fair value of investments held at balance date

Changes in market value of investments are recognised as revenue or expense in determining the net profit for the period.

Sale of inventory

Revenue from property development sales is recognised when the significant risks, rewards of ownership and effective control has been transferred to the purchaser which has been determined to occur upon settlement and after contractual duties are completed.

No revenue is recognised if there are significant uncertainties regarding performance obligations, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return or there is continuing management involvement to the degree usually associated with ownership.

(g) Expenses

Expenses including rates, taxes and other outgoings, are brought to account on an accrual basis and any related payables are carried at cost.

(h) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above.

(i) Trade and other receivables

Trade and other receivables, which generally have 30 day terms, are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. At initial recognition, these are measured at amortised cost at the transaction price.

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses are recognised in the income statement. The receivable is written off when there is no reasonable expectation of recovering the contractual cash flows. Any gain or loss on derecognition is also recognised in the income statement.

In assessing for impairment under AASB 9, the Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. For trade receivables, the Group applies the simplified approach permitted by the standard, which requires lifetime expected losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade debtors and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on outstanding balances, days past their due date and the corresponding historical credit losses experienced. Historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors (including GDP) affecting the ability of customers to settle their debts.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(i) Trade and other receivables (continued)**

In assessing for impairment in prior years prior to the adoption of AASB 9, collectability of trade and other receivables was reviewed on an ongoing basis. Individual debts that are determined to be uncollectible are written off when identified. An impairment provision for doubtful debts is recognised when there is evidence that the Group will not be able to collect the receivable.

(j) Derivative financial instruments and hedging

The Group utilises derivative financial instruments, both foreign exchange and interest rate derivatives to manage the risk associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are recognised at FVTPL.

The Group has set defined policies and implemented hedging policies to manage interest and exchange rate risks. Derivative instruments are transacted in line with these policies to achieve the economic outcomes in line with the Group's treasury and hedging policy. They are not transacted for speculative purposes.

The Group does not employ hedge accounting and as such derivatives are recorded at fair value with gains or losses arising from the movement in fair values recorded in the income statement.

(k) Investments and other financial assets

All investments are initially recognised at cost, being the fair value of the consideration given.

Financial assets in the scope of AASB 9 *Financial Instruments* are classified as either financial assets at fair value through profit or loss or financial assets at amortised cost. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. At 30 June the Group's investments in listed and unlisted securities have been classified as financial assets at fair value through profit or loss and property loans are classified as loans and receivables 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 are measured at fair value through profit and loss.

Financial assets at fair value through profit or loss

The Group classifies its financial assets that do not meet the SPPI criterion and derivatives at fair value through the profit and loss (FVTPL).

At initial recognition, the financial asset is measured at its fair value. Transaction costs are expensed in profit or loss. 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. Any gain or loss on derecognition is recognised in the income statement.

The Group holds investments in unlisted securities and 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.

Loans and receivables

Loans and receivables are non-derivative financial assets that are not quoted in an active market with SPPI. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

Subsidiaries

Investment in subsidiaries are held at lower of cost or recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(l) Interest in joint arrangements

The Group's interest in joint venture entities is accounted for under the equity method of accounting in the consolidated financial statements. The investment in the joint venture entities is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the joint ventures.

Investments in joint ventures are held at the lower of cost or recoverable amount in the investing entities.

The Group's interest in joint operations that give the parties a right to the underlying assets and obligations themselves is accounted for by recognising the Group's share of those assets and obligations.

(m) Property, plant and equipment

Hotel property, plant and equipment

Property (including land and buildings), plant and equipment represent owner-occupied properties and are initially measured at cost including transaction costs and acquisition costs. Subsequent to initial recognition, properties are measured at fair value less accumulated depreciation and any impairment in value after the date of revaluation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings – 50 years Plant and equipment – 3 to 20 years

Revaluations of land and buildings

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss except to the extent that it offsets a previous revaluation increase for the same asset in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Hotel property, plant and equipment are independently valued on an annual basis unless the underlying financing requires a more frequent independent valuation cycle.

Other property, plant and equipment

Land and buildings are measured at fair value, based on periodic valuations by external independent valuers, less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings – 40 years Plant and equipment – over 5 to 15 years

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(m) Property, plant and equipment (continued)**

The recoverable amount of property (including land and buildings), plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

Impairment losses are recognised in the income statement.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Other property, plant and equipment are independently valued on a staggered basis every two years unless the underlying financing requires a more frequent independent valuation cycle.

(n) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time that the cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market and property specific conditions at the balance sheet date. This includes investment properties under redevelopment because fair value can be calculated based on estimated fair value on completion of redevelopment after allowing for the remaining expected costs of completion plus an appropriate risk adjusted development margin. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Investment properties under construction are carried at cost until when the construction is complete on practical completion because the fair value of an investment property under construction cannot be reliably measured.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of development with a view to sale.

For a transfer from investment property to inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Land and buildings that meet the definition of investment property are considered to have the function of an investment and are therefore regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than diminution in value of the building content due to the passing of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Investment properties are independently valued on a staggered basis every two years unless the underlying financing requires a more frequent independent valuation cycle. In determining fair value, the capitalisation of net income method and the discounting of future cashflows to their present value have been used.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(n) Investment properties (continued)

Lease incentives provided by the Group to lessees, and rental guarantees which may be received by the Group from third parties (arising from the acquisition of investment properties) are included in the measurement of fair value of investment property. Leasing costs and incentives are included in the carrying value of investment property and are amortised over the respective lease period, either using a straight-line basis, or a basis which is more representative of the pattern of benefits.

Under AASB 140, investment properties, including any plant and equipment, are not subject to depreciation. However, depreciation allowances in respect of certain buildings, plant and equipment are currently available to investors for taxation purposes.

(o) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as lessee

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the lease assets are classified as operating leases.

(p) Goodwill and intangibles

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 8 Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(q) Impairment of non-financial assets other than goodwill**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(r) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Provisions and employee leave benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

*Employee leave benefits**(i) Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(t) Distributions and dividends

Trusts generally distribute their distributable assessable income to their unitholders. Such distributions are determined by reference to the taxable income of the respective trusts. Distributable income may include capital gains arising from the disposal of investments and tax-deferred income. Unrealised gains and losses on investments that are recognised as income are usually retained and are generally not assessable or distributable until realised. Capital losses are not distributed to security holders but are retained to be offset against any future realised capital gains.

A liability for dividend or distribution is recognised in the Balance Sheet if the dividend or distribution has been declared, determined or publicly recommended prior to balance date.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(u) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid in the establishment of loan facilities are included as part of the carrying amount of loans and borrowings.

Borrowings are classified as non-current liabilities where the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred unless they relate to a qualifying asset or to upfront borrowing establishment and arrangement costs, which are deferred and amortised as an expense over the life of the facility. A qualifying asset is an asset that generally takes more than 12 months to get ready for its intended use or sale. In these circumstances, the financing costs are capitalised into the cost of the asset. Where funds are borrowed by the Group for the acquisition or construction of a qualifying asset, the amount of the borrowing costs capitalised are those incurred in relation to the borrowing.

(v) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Stapled securities are classified as equity. Incremental costs directly attributable to the issue of new securities are shown in equity as a deduction, net of tax, from the proceeds.

(w) Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Upon classification as held for sale, assets are recognised at the lower of carrying amount and fair value less costs to sell with the exception of investment properties which are valued in accordance with Note 23(n).

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A segment, entity or operation disposed of or wound up qualifies as discontinued operation if it is a component of the Group that represents a separate major line of business or geographical area of operations.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 22. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

(x) Inventories*Property Development*

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of sales in the ordinary course of business. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value. Where the net realisable value of inventory is less than cost, an impairment expense is recognised in the consolidated income statement. Reversals of previously recognised impairment charges are recognised in the consolidated income statement such that the inventory is always carried at the lower of cost and net realisable value. Cost includes the purchase consideration, development costs and holding costs such as borrowing costs, rates and taxes.

Hotel

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(y) Taxation**

The Group comprises taxable and non-taxable entities. A liability for current and deferred tax and tax expense is only recognised in respect of taxable entities that are subject to income tax and potential capital gains tax as detailed below.

Trust income tax

Under current Australian income tax legislation AT, AIT, ASPT and AHT are not liable to Australian income tax provided security holders are presently entitled to the taxable income of the trusts and the trusts generally distribute their taxable income.

Company income tax

AGHL and its Australian resident wholly-owned subsidiaries, ASOL and its Australian resident wholly-owned subsidiaries and AHL and its Australian resident wholly-owned subsidiaries have formed separate tax consolidation groups. AGHL, ASOL and AHL have entered into tax funding agreements with their Australian resident wholly-owned subsidiaries, so that each subsidiary agrees to pay or receive its share of the allocated tax at the current tax rate.

The head tax entity and the controlled entities in each tax consolidated group continue to account for their own current and deferred tax amounts.

In addition to its own current and deferred tax amounts, the head tax entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(y) Taxation (continued)**

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

New Zealand

The trusts that operate in New Zealand ("NZ") are treated as a company for NZ income tax purposes and are taxed at the corporate tax rate of 28% (2018: 28%). NZ income tax paid by the Trusts can be claimed as foreign tax credits to offset against foreign income and distributable to security holders. NZ tax losses are carried forward provided the continuity test of ownership is satisfied. Interest expense from the Trusts are fully deductible subject to thin capitalisation considerations. Property revaluation gains or losses are to be excluded from taxable income, with no deferred tax implications as capital gains are not taxed in NZ.

Income derived by companies which are incorporated in Australia and registered in NZ as overseas companies is exempt from tax in Australia where the income has been taxed in NZ. This income is regarded as non-assessable non-exempt income. As such, income tax is calculated on the companies' NZ taxable income and taxed at the NZ corporate rate of 28% (2018: 28%).

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

23. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(z) Earnings per stapled security (EPSS)**

Basic EPSS is calculated as net profit attributable to stapled security holders, adjusted to exclude costs of servicing equity (other than distributions) divided by the weighted average number of stapled securities on issue during the period under review.

Diluted EPSS is calculated as net profit attributable to stapled security holders, adjusted for:

- costs of servicing equity (other than distributions);
- the after tax effect of dividends and interest associated with dilutive potential stapled securities that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential stapled securities;

divided by the weighted average number of stapled securities and dilutive potential stapled securities, adjusted for any bonus element.

(za) Security based payment plans

Executives of the Group receive remuneration in the form of security based payments, whereby Executives render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made, using an appropriate valuation model and is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (Note 20).

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting conditions are satisfied, provided that all other performance and / or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the security based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

24. AUDITOR'S REMUNERATION

	2019	2018
	\$	\$
Amounts received or due and receivable by Ernst & Young Australia for:		
- An audit of the financial report of the entity and any other entity in the consolidated group	1,156,450	1,037,571
- Other services in relation to the entity and any other entity in the consolidated group		
- assurance services	103,493	95,895
- taxation services	6,744	-
- compliance services	38,800	38,200
	1,305,487	1,171,666

25. EVENTS AFTER BALANCE SHEET DATE

In July 2019 Abacus completed a fully underwritten institutional placement of 63.3 million new ordinary stapled securities at an issue price of \$3.95 per stapled security which raised \$250 million. A Security Purchase Plan ("SPP") has also been offered to eligible securityholders to apply for up to \$15,000 of new securities at \$3.95 per stapled security.

On 9 August 2019, Abacus exchanged contracts for the acquisition of a 32% tenants-in-common interest in 201 Elizabeth Street, Sydney NSW for \$201.6 million excluding transaction costs. The transaction will complete in two tranches, with settlement of a 24% stake in November 2019 and the balance between July and October 2020.

Other than as disclosed in this report, there has been no other matter or circumstance that has arisen since the end of the financial year 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

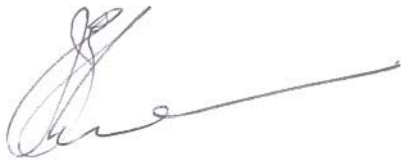
In accordance with a resolution of the Directors of Abacus Group Holdings Limited, we state that:

In the opinion of the directors:

- a. the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2019 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 23(b); and
- c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

On behalf of the Board



John Thame
Chairman
Sydney, 16 August 2019



Steven Sewell
Managing Director

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

Report on the Audit of the Financial Report

Opinion

We have audited the 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 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Investment Properties

Why significant	How our audit addressed the key audit matter
<p>The Group's total assets include investment properties either held directly or via interests in Joint Ventures. These assets are carried at fair value, which is assessed by the directors with reference to either external independent property valuations or internal valuations, and are based on market conditions existing at the reporting date.</p> <p>This was considered a key audit matter due to the number of judgments required in determining fair value. These judgments include assessing the capitalisation rate, discount rate, market rent, re-leasing costs and forecast occupancy levels.</p> <p>Disclosure relating to investment properties and the associated significant judgments are included in Note 5 of the financial report.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We assessed the effectiveness of relevant controls over the leasing process and associated tenancy reports which are used as source data in the property valuations by testing a sample of the relevant controls. • For a sample of internal and external valuations, we evaluated the key assumptions and tested key inputs to tenancy schedules. These assumptions and inputs included market and contractual rent, occupancy rates including forecast occupancy levels, forecast rent, lease terms, re-leasing costs, operating expenditure and future capital expenditure. • For a sample of internal valuations we tested the mathematical accuracy of the valuation. • For selected properties we involved our real estate valuation specialists to assist with the assessment of the valuation assumptions and methodologies. • Where relevant we evaluated the movement in the capitalisation rates and forecast occupancy and rent across the portfolio based on our knowledge of the property portfolio, published industry reports and comparable external valuations. • Where relevant we assessed the reasonableness of comparable transactions utilised in the valuation process. • We evaluated the suitability of the valuation methodology across the portfolio based on the type of asset; and • We assessed the qualifications, competence and objectivity of the valuers

Property Loans

Why significant

The Group provides mortgage loans to external parties for which the underlying security is either investment property or development property assets. These loans are carried at either fair value or amortised cost, for which an expected credit loss is assessed.

An assessment is undertaken to determine whether loans are to be carried at fair value or amortised cost with loans containing a profit share component being carried at fair value.

The Group applies Australian Accounting Standard AASB 9 *Financial Instruments* in calculating the provision for expected credit loss. This involves judgement as the expected credit losses reflect information about past events, current conditions and forecast conditions.

AASB 9 was adopted on a modified retrospective basis at 1 July 2018. An expected credit loss provision adjustment of \$14.3m was recognised in the retained earnings balance at 1 July 2018. Management has reassessed the measurement of the provision at 30 June 2019.

Property Loan accounting was considered a key audit matter as the assessment of the valuation of the loans, either directly through determination of fair value or indirectly through consideration of impairment, and the determination of the provision for expected credit loss is subject to a series of complex judgements. The assessment of value is determined with reference to the value of the underlying security or future performance of the underlying development which is determined through a feasibility assessment for each project. The feasibility assessments estimate the revenue and costs of the development over the assumed life of the project.

Disclosure relating to property loans and the associated significant judgements is included in Note 7 of the financial report.

Disclosure of revenue recognition policies is included in Note 22(f) of the financial report.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed the classification of each mortgage loan as either amortised cost or fair value under AASB 9 based on the terms of the underlying loan terms.
- For a sample of loans, we evaluated the value assigned by assessing the feasibilities of the underlying development asset. For this sample we assessed the feasibility by performing procedures consistent with those performed on Inventories as set out in the inventories key audit matter below.
- For a sample of loans where a valuation of the underlying security was obtained by the Group as an input to the loan value, we assessed the valuation by performing procedures consistent with those performed on Investment property valuations referred to in the preceding key audit matter.
- We re-performed the Group's calculations of fair value.
- We assessed the Group's methodology in calculating the expected credit loss provision and re-performed the Group's calculations.
- We assessed the key inputs into the provision for expected credit loss including:
 - Assessing completeness of the loans included in the calculation,
 - Determining the appropriateness of the credit rating applied to individual loans with reference to borrower specific and macroeconomic factors,
 - Verifying cross-collateralisation of mortgage loans to loan documentation;
 - Performed sensitivity analyses in relation to the key forward looking assumptions including timing of loan repayment.
- We evaluated the classification of loans between current and non-current based on the status of the underlying property supporting recoverability, the expected timing of settlement and the status of the underlying developments.

Inventories

Why significant	How our audit addressed the key audit matter
<p>The Group's total assets include development property assets either held directly or via interests in Joint Ventures. Development assets are carried at the lower of cost or net realisable value. Net realisable value is determined through a feasibility assessment for each project that estimates the revenue and costs of the development over the assumed life of the project.</p> <p>This was considered a key audit matter as the determination of net realisable value is affected by subjective elements within the estimated costs and projected revenues over an assumed development life. These values are sensitive to changes in the underlying assumptions.</p> <p>Disclosure of inventories and associated significant judgements is included in Note 6 of the financial report.</p> <p>Disclosure of revenue recognition policies is included in Note 22(f) of the financial report.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We interviewed Project Managers employed by the Group, to understand the status and progress of the developments. • We assessed the historical accuracy of previous forecast development outcomes. • Where applicable we evaluated the assumptions adopted in the feasibility assessments in light of current market evidence by: <ul style="list-style-type: none"> • comparing the sales revenue assumed to the most recent historical or comparable sales; • corroborating the costs projected to signed contracts, recent or actual costs incurred for current or comparable projects or other external cost estimates; • assessed contingency estimates for remaining development risks. • Where external valuations have been obtained as part of the net realisable value assessment, we assessed the qualifications, competence and objectivity of the valuers. • We tested the mathematical accuracy of the feasibility assessments. • For selected properties we involved our real estate valuation specialists in the assessment of the assumptions. • Where relevant, we performed sensitivity analyses in relation to the key forward looking assumptions including number of lots developed, sales price achieved, finance costs and time to completion.

Equity Accounted Investments

Why significant

The Group has entered into a number of joint venture arrangements which are involved in property investment or property development. The application of the equity method of accounting for the joint venture investments is predicated on the Group having joint control with the other party(ies) under the arrangements.

We have focused on this area as a key audit matter due to the judgment involved in assessing whether the entities are controlled or joint ventures.

Disclosure of equity accounted investments and the associated significant judgements are included in Note 8 of the financial report.

How our audit addressed the key audit matter

Our audit procedures included the following:

- For new joint ventures entered into during the year we assessed the joint venture agreements to understand the ownership interest and rights of each joint venture party. We considered the Group's assessment of joint control and the determination of applying equity accounting to the investment.
- For existing joint ventures we confirmed with the Group that there had been no changes to the joint arrangements with respect to decision making power and entitlement to profits nor in the underlying operation and performance of the arrangement, which would amend the conclusion from prior periods.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

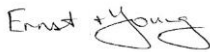
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 31 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Abacus Group Holdings Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Kathy Parsons
Partner
Sydney
16 August 2019