

ANNUAL FINANCIAL REPORT

30 June 2011

Directory**Entity:**

Abacus Funds Management Limited
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**Directors of Responsible Entity and Abacus
Hospitality Limited:**

John Thame, Chairman
Frank Wolf, Managing Director
William Bartlett
David Bastian
Malcolm Irving
Len Lloyd
Myra Salkinder

Company Secretary:

Ellis Varejes

Custodian:

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

Auditor:

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

Compliance Plan Auditor:

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

Share Registry:

Boardroom Pty Limited
Level 7, 207 Kent Street
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CONTENTS

<u>DIRECTORS' REPORT</u>	<u>2</u>
<u>AUDITORS INDEPENDENCE DECLARATION</u>	<u>8</u>
<u>CONSOLIDATED INCOME STATEMENT</u>	<u>9</u>
<u>CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME</u>	<u>10</u>
<u>CONSOLIDATED STATEMENT OF DISTRIBUTION</u>	<u>10</u>
<u>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</u>	<u>11</u>
<u>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</u>	<u>13</u>
<u>CONSOLIDATED STATEMENT OF CASH FLOW</u>	<u>15</u>
<u>NOTES TO THE FINANCIAL STATEMENTS</u>	<u>16</u>
<u>DIRECTORS' DECLARATION</u>	<u>62</u>
<u>INDEPENDENT AUDIT REPORT</u>	<u>63</u>

It is recommended that the report be considered together with any public announcements made by the Abacus Hospitality Fund in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

DIRECTORS' REPORT

30 June 2011

The Directors present their report and the auditor's report thereon.

Abacus Hospitality Limited ("AHL" or the "Company") has been identified as the parent entity of the group referred to as the Abacus Hospitality Fund ("AHF" or the "Fund"). The consolidated financial reports of AHF comprise the consolidated financial reports of AHL and its controlled entities and Abacus Hospitality Trust and its controlled entities ("AHT").

DIRECTORS

The Directors of AHL and Abacus Funds Management Limited (AFML) in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activity of the Fund and the Trust during the year ended 30 June 2011 was the ownership and operation of hotels in Australia and New Zealand.

FUND STRUCTURE

The Fund represents the consolidation of AHL and its controlled entities and AHT and its controlled entities. Units in AHT and shares in AHL have been stapled together so that neither can be dealt without the other. An AHF security consists of one unit in AHT and one share in AHL. A transfer, issue or reorganisation of a unit or share in any of the component parts is accompanied by a transfer, issue or reorganisation of a unit or share in each of the other component parts.

AHL is a company incorporated and domiciled in Australia. AHT is an Australian registered managed investment scheme. AFML, the Responsible Entity of AHT, is incorporated and domiciled in Australia and is a wholly owned subsidiary of Abacus Group Holdings Limited (AGHL) which is the parent of the Abacus Property Group (Abacus or APG).

The registered office and principal place of business of AGHL and of AFML is located at Level 34 Australia Square, 264-278 George Street, Sydney NSW 2000.

REVIEW AND RESULTS OF OPERATIONS

The hospitality industry, particularly in northern Queensland, has been affected by the downturn in inbound tourism following the global financial crisis. The increase in value of the Australian dollar, the reduced domestic tourism demand and the curtailment of conference activities by many companies during this period have caused hotel revenues to fall. The expectation that the Australian dollar will remain strong for some time will further delay the expected recovery in hotel revenues. The trading operations of the hotels in the Abacus Hospitality Fund which are managed by Abacus Funds Management Limited are subject to these market conditions. During the year the Fund's hotels were also adversely affected by the extreme weather events in Queensland and earthquake in Christchurch.

We nevertheless believe that the current operating income and the capitalisation value adjustments may change favourably in the medium term as the carrying value of these hotel assets is significantly below replacement cost and there is little new supply in hotel assets expected.

DIRECTORS' REPORT

30 June 2011

REVIEW AND RESULTS OF OPERATIONS (continued)

On 4 February 2011, a cyclone struck northern Queensland. Neither the Tradewinds nor the Esplanade hotels located in Cairns suffered any significant damage in the cyclone.

On 22 February 2011, there was a major earthquake in Christchurch, New Zealand. The Chateau on the Park Hotel suffered damage which will be covered by insurance. The hotel reopened on 4th March 2011 and has remained open since despite a major earthquake after shock on 13 June 2011.

We are currently working with our brokers to obtain sufficient insurance renewal cover on the Chateau on the Park hotel.

On 21 December 2010, Abacus Finance Pty Ltd forgave \$11m of the debt owing by the Fund which has been recognised as a gain in the income statement. As at the date of this report, the Fund holds a portfolio of 5 hotels comprising 1106 rooms (2010: 5 hotels comprising 1106 rooms). The net gain on revaluations (properties and investments) and interest rate swap valuations were \$0.8m as compared with a loss of \$7.2m in the previous year. The weighted average cap rate was 8.90%.

The Fund's gearing was reduced during the year to 40.7% (2010: 41.7%). The impact of both year-end fair value adjustments and the Fund's performance on its financial condition were as follows:

	2011	2010
Total assets (\$ '000)	173,069	177,757
Gearing (%)¹	40.7	41.7
Net assets/(deficiency) (\$ '000)	(5,660)	(9,848)
Securities on issue ('000)	49,039	49,039

INDIRECT COST RATIO

The Indirect Cost Ratio is the ratio of the Trust's management costs over the Fund's average net assets² attributed for the year, expressed as a percentage. Management costs including management fees, custody fees and other expenses or reimbursements deducted in relation to the Trust, but do not include transactional or operational costs. The Indirect Cost Ratio for the Fund for the year ended 30 June 2011 was 2.16% (2010: 3.16%).

¹ Abacus working capital is excluded in calculating net debt gearing ratio

² Abacus working capital is excluded in calculating average net assets.

REVIEW OF FINANCIAL CONDITION

At 30 June 2011, existing bank loan facility limit totalled \$51.2 million (drawn \$49.2m) in Australian dollar denominated loans, and drawn NZ\$25.6 million (A\$19.7m) of the total facility limit of NZ\$35 million (A\$27m) in New Zealand dollar denominated loans. \$87.48 million of the existing \$150 million Abacus working capital facility was drawn as at 30 June 2011. A further \$10m facility (\$7.1m drawn at 30 June 2011) was established with Abacus Finance Pty Ltd on 2 May 2011.

The Fund manages interest rate exposure on bank debt facilities through the use of interest rate swap contracts. At 30 June 2011, approximately \$46.8 million or 67.9% of total bank debt facilities were covered by interest rate swap arrangements at an average effective fixed interest rate (including bank margin) of 8.21%. The average term to maturity of the bank debt is 3 years and the average term to maturity of the swaps is 5.6 years. The Abacus working capital facility has an interest rate of 8%. As a strategy to support the Fund due to a number of non-recurring events affecting results in the second half of the year, the working capital facility interest rate was reduced to 4.37% for six months only. The remaining term to maturity is 4.7 years.

DIRECTORS' REPORT

30 June 2011

REVIEW OF FINANCIAL CONDITION (continued)

The Fund's net debt gearing ratio (calculated as total interest bearing liabilities less cash assets divided by total assets) excluding the Abacus working capital was 40.7% at 30 June 2011 (2010: 41.7%). The Fund's net debt gearing ratio including the Abacus working capital was 94.2% at 30 June 2011 (2010: 93.1%).

DISTRIBUTIONS

The Fund and the Trust distributions in respect of the year ended 30 June 2011 were \$3.1 million (June 2010: \$4.0 million), which is equivalent to 6.25 cents per stapled security (June 2010: 8.25 cents). This distribution includes 1.125 cents (\$0.6 million) that was paid on 8th August 2011. Further details on the distributions are set out in note 8 of the financial statements.

STAPLED SECURITIES ON ISSUE

During the year no new stapled securities were issued and at 30 June 2011 there were 49.04 million stapled securities on issue (2010: 49.04 million).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Fund occurred during the financial year:

- Total equity increased from negative \$9.8 million to negative \$5.7 million at 30 June 2011 reflecting the debt forgiveness by AFPL.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the Directors, disclosure of any further information on future developments and results than is already disclosed in this report or the financial statements would be unreasonably prejudicial to the interests of the Company.

INFORMATION ON DIRECTORS AND OFFICERS

The Directors and Company Secretary of AHL and AFML (the Responsible Entity of AHT), in office during the financial year and until the date of this report are as set out below, with qualifications, experiences and special responsibilities.

DIRECTORS' REPORT

30 June 2011

INFORMATION ON DIRECTORS AND OFFICERS (continued)

John Thame AIBF, FCPA Chairman (non-executive)

Mr Thame 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. Mr Thame was Chairman (2004 to 2008) and a director (1997 to 2008) of St George Bank Limited and St George Life Limited. He is also a director of Reckon Limited and The Village Building Co Limited (Group).

Frank Wolf PhD, BA Hons Managing Director

Dr Wolf has over 20 years' experience in the property and financial services industries, including involvement in retail, commercial, industrial and hospitality-related assets in Australia, New Zealand and the United States. Dr Wolf has been instrumental in over \$2 billion worth of property related transactions, corporate acquisitions and divestments and has financed specialist property-based assets in retirement and hospitality sectors. He is also a director of HGL Limited, a diversified publicly listed investment company.

David Bastian CPA

Mr Bastian is a Non-Executive Director and has almost 40 years' experience in the financial services industry. He was the Managing Director of the Group until September 2006, Managing Director of the Canberra Building Society for 20 years and an Executive Director of Godfrey Pembroke Financial Services Pty Limited for 7 years.

Malcolm Irving AM, FCPA, SF Fin, BCom, Hon DLitt

Mr Irving is a Non-Executive Director and has many years' experience in company management, including 12 years as Managing Director of CIBC Australia Limited. He was Chairman of Keycorp Limited (2001 to 2007) and Caltex Australia Limited and a director of Thales Australia Limited (2000 to 2010) and Telstra Corporation Limited. He is also a director of O'Connell Street Associates Pty Ltd.

Len Lloyd FAPI, WDA

Mr Lloyd is a licensed Real Estate Agent and a registered Real Estate Valuer. He has 40 years experience in the development, management and funding of commercial, retail and residential property. Mr Lloyd joined the Abacus Group in October 2000 and now holds the position of Managing Director of Abacus Property Services Pty Limited responsible for property administration and development opportunities in the Abacus portfolio. In previous positions Mr Lloyd held responsibility for the property portfolios of the Advance Bank and St George Bank and provided valuation and lending advice while with the Commonwealth Development Bank for 21 years.

DIRECTORS' REPORT

30 June 2011

INFORMATION ON DIRECTORS AND OFFICERS (continued)

William J Bartlett FCA, CPA, FCMA, CA(SA)

Mr Bartlett is a Non-Executive Director. During his 23 year career with Ernst & Young, he held the roles of Chairman of Worldwide Insurance Practice, National Director of Australian Financial Services Practice and Chairman of the Client Service Board. Mr Bartlett is a director of Suncorp-Metway Limited, GWA Limited, Reinsurance Group of America Inc and RGA Reinsurance Company of Australia Limited. Mr Bartlett was a director of Arana Therapeutics Limited (2004 to 2007). He is also a director of the Bradman Foundation and Museum.

Myra Salkinder (appointed 12 April 2011)

Mrs Salkinder 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 and internationally. Mrs Salkinder is a director of various companies associated with the Kirsh Group worldwide.

Ellis Varejes BCom, LLB Company Secretary and Chief Operating Officer

Mr Varejes has been the Company Secretary since September 2006. He has over 25 years' experience as a corporate lawyer in private practice.

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

Directors	AHF securities held
F Wolf	169,778
L Lloyd	30,000

Directors' Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit, other than any benefit disclosed in the financial statements as compensation or the fixed salary of key management personnel of the Fund or a related entity by reason of a contract made by the Fund or a related body corporate with the director or a with a firm of which he is a member, or with an entity in which he has a substantial financial interest.

Indemnification and Insurance of Directors and Officers

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

DIRECTORS' REPORT

30 June 2011

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Fund's and the Trust's environmental responsibilities, such as waste removal and water treatment, have been managed in compliance with all applicable regulations and licence requirements and in accordance with industry standards. No breaches of requirements or any environmental issues have been discovered and brought to the board's attention. There has been no known significant breaches of any environmental requirements applicable to the Fund and the Trust.

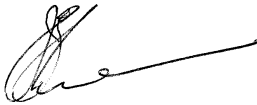
AUDITORS INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is shown on page 8.

ROUNDING

The amounts contained in this report and in the annual financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the group under ASIC Class Order 98/100. The Fund and the Trust are entities to which the Class Order applies.

Signed in accordance with a resolution of the directors.



John Thame
Chairman
Sydney, 15 September 2011



Frank Wolf
Managing Director

Auditor's Independence Declaration to the Directors of Abacus Hospitality Limited and the Directors of Abacus Funds Management Limited as Responsible Entity for the Abacus Hospitality Trust

In relation to our audit of the financial report of Abacus Hospitality Fund comprising Abacus Hospitality Limited and the entities it controlled and Abacus Hospitality Trust and the entities it controlled for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'K. Zdrilic'.

K. Zdrilic
Partner
15 September 2011

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 30 JUNE 2011

		AHF	AHF*	AHT	AHT*
		Consolidated	Consolidated	Consolidated	Consolidated
		2011	2010	2011	2010
	Notes	\$'000	\$'000	\$'000	\$'000
REVENUE					
Hotel income	5a	46,580	73,303	-	-
Rental income		1,283	1,295	13,243	22,711
Finance income		377	320	194	130
Net gain/(loss) on disposal of property, plant and equipment		(15)	10,736	-	-
Net change in fair value of investment properties derecognised		-	-	(15)	10,905
Net change in fair value of financial instrument held at balance date		422	961	422	961
Net change in fair value of financial instruments derecognised		254	542	254	542
Other income	5b	11,176	327	11,176	-
Total Revenue and Other Income		60,077	87,484	25,274	35,249
Employee benefits expense	6a	(20,768)	(30,268)	-	-
Other hotel expenses		(13,926)	(23,119)	-	-
Property expenses & outgoings		(941)	(1,110)	(441)	(427)
Depreciation and amortisation expense	6b	(4,483)	(8,051)	-	-
Impairment loss on hotel property, plant and equipment	12	(1,174)	(6,263)	-	-
Net change in fair value of hotel investment property held at balance date	13	1,509	(1,917)	(2,788)	(14,962)
Finance costs	6c	(10,215)	(18,965)	(10,215)	(18,965)
Administrative and other expenses		(1,732)	(2,769)	(1,721)	(2,728)
PROFIT/(LOSS) BEFORE TAX		8,347	(4,978)	10,109	(1,833)
Income tax benefit	7a	733	1,188	-	-
PROFIT/(LOSS) AFTER TAX		9,080	(3,790)	10,109	(1,833)
less: net (profit) / loss attributable to non-controlling interests					
AHT members		(10,109)	377	(10,109)	1,833
NET PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF AHL		(1,029)	(3,413)	-	-
Net profit / (loss) attributable to members of the Fund analysed by amounts attributable to:					
AHL members		(1,029)	(3,413)	-	-
AHT members		10,109	(377)	10,109	(1,833)
NET PROFIT / (LOSS) AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE FUND		9,080	(3,790)	10,109	(1,833)

* Prior period results included the trading of the Townsville, Gladstone and Swissotel hotels which were sold prior to the commencement of the current year.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
YEAR ENDED 30 JUNE 2011

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
NET PROFIT / (LOSS) AFTER TAX	9,080	(3,790)	10,109	(1,833)
OTHER COMPREHENSIVE INCOME				
Revaluation of assets, net of tax	(1,620)	(1,456)	(1,620)	-
Foreign exchange translation adjustments, net of tax	314	(58)	221	(49)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR	7,774	(5,304)	8,710	(1,882)
Total comprehensive profit/(loss) attributable to members of the Fund analysed by amounts attributable to:				
Members of the parent entity (AHL)	(1,029)	(3,413)	-	-
Members of other stapled entities:				
Non-Controlling interest - Abacus Hospitality Trust	8,803	(1,891)	8,710	(1,882)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR	7,774	(5,304)	8,710	(1,882)

CONSOLIDATED STATEMENT OF DISTRIBUTION
YEAR ENDED 30 JUNE 2011

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
STATEMENT OF DISTRIBUTION				
Net profit/(loss) attributable to stapled security holders	9,080	(3,790)	10,109	(1,833)
Transfer from / (to) retained earnings	(5,494)	8,602	(6,523)	6,645
Distributions paid and payable	8	3,586	4,812	4,812
Distribution per stapled security (cents)	8	7.31	9.81	7.31
Weighted average number of securities ('000)		49,039	49,039	49,039

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

		AHF	AHF	AHT	AHT
		Consolidated	Consolidated	Consolidated	Consolidated
		2011	2010	2011	2010
	Notes	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash and cash equivalents	9	9,407	9,737	5,407	4,319
Trade and other receivables	10	3,192	3,717	5,081	4,679
Other	11	1,386	916	611	144
TOTAL CURRENT ASSETS		13,985	14,370	11,099	9,142
NON-CURRENT ASSETS					
Hotel property, plant and equipment	12	143,087	149,199	-	-
Hotel investment properties	13	12,500	11,000	149,608	154,150
Related party receivables	10	-	-	9,840	9,651
Deferred tax assets	7c	3,497	2,766	-	-
TOTAL NON-CURRENT ASSETS		159,084	162,965	159,448	163,801
TOTAL ASSETS		173,069	177,335	170,547	172,943
CURRENT LIABILITIES					
Trade and other payables	14	7,628	8,375	1,533	1,252
Provisions	15a	926	852	-	-
Interest-bearing loans and borrowings	16a	5,255	73,536	5,255	73,536
TOTAL CURRENT LIABILITIES		13,809	82,763	6,788	74,788
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	16b	158,296	94,719	158,296	94,719
Derivatives at fair value		6,024	9,121	6,024	9,121
Provisions	15b	600	580	-	-
TOTAL NON-CURRENT LIABILITIES		164,920	104,420	164,320	103,840
TOTAL LIABILITIES		178,729	187,183	171,108	178,628
NET ASSETS		(5,660)	(9,848)	(561)	(5,685)
TOTAL EQUITY		(5,660)	(9,848)	(561)	(5,685)

ABACUS HOSPITALITY FUND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 30 JUNE 2011

		AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
	Notes				
EQUITY					
Contributed equity	18	45,611	45,611	43,152	43,152
Reserves		1,578	2,884	241	20
Retained earnings / (accumulated losses)		(52,849)	(58,343)	(43,954)	(48,857)
TOTAL EQUITY		(5,660)	(9,848)	(561)	(5,685)
Equity attributable to members of AHL:					
Contributed equity		2,459	2,459	-	-
Reserves		54	(38)	-	-
Retained earnings / (accumulated losses)		(7,612)	(6,584)	-	-
Total equity attributable to members of AHL:		(5,099)	(4,163)	-	-
Equity attributable to members of AHT:					
Contributed equity		43,152	43,152	43,152	43,152
Reserves		1,524	2,922	241	20
Retained earnings / (accumulated losses)		(45,237)	(51,759)	(43,954)	(48,857)
Total equity attributable to unitholders of AHT:		(561)	(5,685)	(561)	(5,685)
TOTAL EQUITY		(5,660)	(9,848)	(561)	(5,685)

ABACUS HOSPITALITY FUND

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED 30 JUNE 2011

Consolidated AHF - 2011	Attributable to the stapled security holder				
	Issued capital \$'000	Asset revaluation reserve \$'000	Foreign currency translation \$'000	Retained earnings \$'000	Total Equity \$'000
CONSOLIDATED					
At 1 July 2010	45,611	2,901	(17)	(58,343)	(9,848)
Other comprehensive income / (loss)	-	(1,620)	314	-	(1,306)
Net profit for the year	-	-	-	9,080	9,080
Total comprehensive income/(expense) for the year	-	(1,620)	314	9,080	7,774
Distribution to security holders	-	-	-	(3,586)	(3,586)
At 30 June 2011	45,611	1,281	297	(52,849)	(5,660)

Consolidated AHF - 2010	Attributable to the stapled security holder				
	Issued capital \$'000	Asset revaluation reserve \$'000	Foreign currency translation \$'000	Retained earnings \$'000	Total Equity \$'000
CONSOLIDATED					
At 1 July 2009	45,621	4,357	41	(49,741)	278
Other comprehensive income / (loss)	-	(1,456)	(58)	-	(1,514)
Net loss for the year	-	-	-	(3,790)	(3,790)
Total comprehensive (expense) for the year	-	(1,456)	(58)	(3,790)	(5,304)
Issue costs	(10)	-	-	-	(10)
Distribution to security holders	-	-	-	(4,812)	(4,812)
At 30 June 2010	45,611	2,901	(17)	(58,343)	(9,848)

ABACUS HOSPITALITY FUND

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
YEAR ENDED 30 JUNE 2011

Consolidated AHT - 2011	Attributable to the unit holder				
	Issued capital	Asset	Foreign	Retained earnings	Total Equity
		revaluation reserve	currency translation		
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2010	43,152	-	20	(48,857)	(5,685)
Other comprehensive income / (loss)	-	(1,620)	221	-	(1,399)
Net gain for the year	-	-	-	10,109	10,109
Total comprehensive income/(expense) for the year	-	(1,620)	221	10,109	8,710
Distribution to unit holders	-	-	-	(3,586)	(3,586)
At 30 June 2011	43,152	(1,620)	241	(42,334)	(561)

Consolidated AHT - 2010	Attributable to the unit holder				
	Issued capital	Asset	Foreign	Retained earnings	Total Equity
		revaluation reserve	currency translation		
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2009	43,162	-	69	(42,212)	1,019
Other comprehensive income / (loss)	-	-	(49)	-	(49)
Net loss for the year	-	-	-	(1,833)	(1,833)
Total comprehensive (expense) for the year	-	-	(49)	(1,833)	(1,882)
Issue costs	(10)	-	-	-	(10)
Distribution to unit holders	-	-	-	(4,812)	(4,812)
At 30 June 2010	43,152	-	20	(48,857)	(5,685)

CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED 30 JUNE 2011

		AHF	AHF	AHT	AHT
		Consolidated	Consolidated	Consolidated	Consolidated
		2011	2010	2011	2010
	Notes	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Income receipts		56,307	77,911	12,373	21,274
Interest received		377	320	194	130
Borrowing costs paid		(4,865)	(11,274)	(4,865)	(11,274)
Operating payments		(45,599)	(60,137)	(1,134)	(4,128)
NET CASH FLOWS FROM OPERATING ACTIVITIES	9	6,220	6,820	6,568	6,002
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment of loans by related entities		-	-	(296)	11,084
Purchase of property, plant and equipment		(2,300)	(1,530)	(958)	(111)
Proceeds from disposal of investment properties		-	-	-	111,960
Disposal of property, plant and equipment		-	123,373	-	-
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(2,300)	121,843	(1,254)	122,933
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of issue costs		-	(10)	-	(10)
Repayment of borrowings		(9,000)	(120,629)	(9,000)	(120,629)
Proceeds from borrowings		11,422	10,619	11,422	10,619
Payment of finance costs		(3,022)	(11,998)	(3,022)	(11,998)
Distributions paid		(3,586)	(4,812)	(3,586)	(4,812)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(4,186)	(126,830)	(4,186)	(126,830)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
Net foreign exchange differences		(64)	47	(40)	42
Cash and cash equivalents at beginning of year		9,737	7,857	4,319	2,172
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	9,407	9,737	5,407	4,319

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

1. CORPORATE INFORMATION

AHF is comprised of Abacus Hospitality Limited and its controlled entities (AHL) and Abacus Hospitality Trust and its controlled entities (AHT).

The financial reports of the Abacus Hospitality Fund (the "Fund" or "AHF") and Abacus Hospitality Trust (the "Trust" or "AHT") for the year ended 30 June 2011 are authorised for issue in accordance with a resolution of the Directors of Abacus Hospitality Limited ("the Company") and Abacus Funds Management Limited on 15 September 2011.

The nature of the operations and principal activities of the AHF and AHT are described in the Directors' Report.

2. 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, hotel properties plant and equipment and derivative financial instruments which have been measured at fair value. The carrying values of recognised assets and liabilities that are covered by interest rate swap arrangements, are adjusted to record changes in the fair values attributable to the risks that are being covered by derivative financial instruments.

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 Fund and the Trust under ASIC Class Order 98/100. The Fund and the Trust are entities to which the class order apply.

The Corporations Amendment (Corporate Reporting Reform) Act 2011 was enacted in June 2011 and has amended the Corporations Act so that a consolidated reporting group is required to prepare consolidated financial statements rather than parent entity financial statements.

Net asset deficiency

At 30 June 2011, AHF and AHT have a net asset deficiency of \$5.7 m and \$0.5m respectively (2010: \$9.8m and \$5.7m respectively). AHF and AHT have obtained a letter from Abacus Property Group ("APG") that APG does not intend to request repayment of its loan for a period of 12 months from the date of this financial report and to the extent necessary APG intends to provide financial support to enable AHF and AHT to pay its debts as and when they fall due within the next 12 months.

On 30 June 2011, AHF re-financed its existing facility AUD51.24m and NZD35m with Commonwealth Bank of Australia. The new facility can be drawn up to a 45% Loan to Value Ratio (LVR) initially. This can increase to 50% LVR provided AHF achieves two consecutive quarters of a 1.75 times Interest Cover Ratio (ICR) or better and related trading performance measures. Key covenants over the term of the facility are a LVR not greater than 55% and an ICR of not less than 1.5 times.

On 21 December 2010, APG forgave \$11m of its Abacus Working Capital Facility loan to AHF. As at 30 June 2011, \$82.3m principal has been drawn from Abacus Working Capital Facility. The facility expires on 1 March 2016 with a rate of interest which is 8%. For six months from 1 January 2011 to 30 June 2011 only, the interest rate was reduced to 4.37%. Interest on this loan may be accrued and paid at the expiry of the loan. The loan principal will not be repayable before 1 March 2016 unless Abacus Funds Management Limited is removed as Responsible Entity of the Fund. These loans rank equally with other securityholders upon liquidation of AHF to the extent of a deficit/shortfall to issue price.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 as follows:

The Fund and the Trust have adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2010. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Fund and the Trust.

- AASB 2009–5 Amendments to Australian Accounting Standards arising from the annual improvements project (AASB 117, AASB 101, AASB 107, AASB 118, AASB 136, and AASB 139)
- AASB 2010–3 Amendments to Australian Accounting Standards arising from the annual improvements project (AASB 3)
- AASB 2009–8 Amendments to Australian Accounting Standards – Cash – settled Share-based Payment Transactions (AASB 2)
- AASB 2009–10 Amendments to Australian Accounting Standards – Classification of Rights Issues (AASB 2)

The Fund and the Trust have not elected to early adopt any new standards or amendments.

(ii) Accounting Standards and Interpretations 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 Fund and the Trust for the annual reporting period ended 30 June 2011. These are outlined in the table below.

Reference	Summary	Application date of standard*	Impact on Fund and Trust financial report	Application date for Fund and Trust*
AASB 124 Related Party Disclosures	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <p>(a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;</p> <p>(b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and</p> <p>(c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.</p> <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 Jan 2011	The revision will not have a significant impact on the Fund and the Trust's financial statements. The Fund and the Trust will review the definitions to clarify the disclosure requirements.	1 Jul 2011

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Summary	Application date of standard*	Impact on Fund and Trust financial report	Application date for Fund and Trust*
AASB 1053 Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local Governments</p>	1 Jul 2013	The Fund and the Trust are required to report under the Tier 1 requirement as a for-profit entity in the private sector that has public accountability.	1 Jul 2013
AASB 2010-5	<p>This standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p> <p>These amendments have no major impact on the requirements of the amended pronouncements.</p>	1 Jan 2011	This revision will have no significant impact on the Fund and the Trust's financial statements.	1 Jul 2012
AASB 2010-6	<p>The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.</p>	1 Jul 2011	The revision will not have a significant impact on the Fund's and the Trust's financial statements. The Fund and the Trust will review transactions involving the transfer of assets to determine whether disclosure is required.	1 Jul 2011
AASB 2010-7	<p>The requirement for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <ul style="list-style-type: none"> • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p>	1 Jan 2013	The revision will not have a significant impact on the Fund's and the Trust's financial statements. The Fund and the Trust will review the revision to clarify the disclosure requirements.	1 Jul 2013
AASB 2010-8	<p>These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.</p>	1 Jan 2012	The revision will not have a significant impact on the Fund and Trust's financial statements. Should the amendment be adopted, the Fund and Trust will recognise currently unrecognised deferred tax asset balances for fair value movements.	1 Jul 2012

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Summary	Application date of standard*	Impact on Fund and Trust financial report	Application date for Fund and Trust*
AASB 2009-12	<p>The amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>The amendment to AASB 124 clarifies and simplifies the definition of a related party.</p>	1 Jan 2011	<p>The revision will not have a significant impact on the Fund's and the Trust's financial statements. The Fund and the Trust will review the revision to clarify the disclosure requirements.</p>	1 Jul 2011
AASB 9 – Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>(a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, classification criteria.</p> <p>(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be deregistered and measured at fair value through the profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p>	1 Jan 2013	<p>Under the standard, a financial asset is measured at amortised cost if both of the following conditions are met:</p> <p>(a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and</p> <p>(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.</p> <p>All other assets are measured at fair value through the profit and loss.</p> <p>Further, at the date of transition, those loans whose cash flows are not solely predicated on the repayments of principal and interest are not required to be reclassified as fair value financial assets unless there is a change in the Fund and the Trust's business model for managing these financial assets.</p> <p>Where there is a change in business model (e.g. closure of the business line) then the reclassification from amortised cost to fair value applies prospectively from the reclassification date and there is no restatement of any previously recognised gains, losses or interest.</p> <p>The tests above with respect to any potential reclassification of financial assets with variable cash flows will depend on the facts applicable at transition date and cannot be reasonably estimated at this time.</p> <p>The Fund and the Trust will review the classification of its existing financial assets in line with the standard, such as secured and related party loans.</p>	1 Jul 2013

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Summary	Application date of standard*	Impact on Fund and Trust financial report	Application date for Fund and Trust*
IFRS 10 – Consolidated Financial Statements	<p>IFRS 10 determines the basis upon which (a) an investor consolidates an investee entity and (b) the presentation and disclosure requirements for consolidated financial reporting.</p> <p>Per IFRS 10 an investor controls an investee entity when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.</p> <p>When assessing control the following three elements have to be present:</p> <ul style="list-style-type: none"> (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. <p>The standard sets out more expansive criteria for the consolidation and deconsolidation of entities at each reporting period. Facts and circumstances that will need to be considered when conducting periodic testing for consolidation include:</p> <ul style="list-style-type: none"> - the purpose and design of the entity; - voting rights (both existing and potential and their substantive power); - contractual rights; - scope and nature of key decision making rights; - size and nature of co-investment stakes; - nature and variability of economic returns; and - subordinated and guaranteed interests. 	1 Jan 2013	As regards the presentation and disclosure of consolidated financial statements, the new standard does not materially change nor affect the Fund's and the Trust's existing accounting policies.	1 Jul 2013
IFRS 12 Disclosure of interests in other entities	<p>IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.</p>	1 Jan 2013	The standard will result in increased disclosures on the Fund's and the Trust's interests in its investments.	1 Jul 2013

* designates the beginning of the applicable annual reporting period

AASB 2009-14, AASB 2010-2, AASB 1054, IFRS11 and Interpretation 19 will have no application to the Fund and the Trust.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(d) Basis of consolidation**

The consolidated financial statements comprise the financial statements of AHL and its subsidiaries and AHT and its subsidiaries.

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-fund transactions, have been eliminated in full and subsidiaries are consolidated from the date on which control is transferred to the Fund and the Trust and cease to be consolidated from the date on which control is transferred out of the Fund and the Trust. 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 Fund and the Trust have 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.

(e) Foreign currency translation*Functional and presentation currency*

Both the functional and presentation currency of the Fund and the Trust are in Australian dollars. Each entity in the Fund and the Trust 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 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 these entities are translated into the presentation currency of the Fund and the Trust 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

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

Revenue is recognised and 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 Fund and the Trust and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Hotel income

Revenue from rooms is recognised and accrued on the provision of rooms or on the date of 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 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.

Dividends and distributions

Revenue is recognised when the Fund's and the Trust's right to receive the payment is established.

Rental income

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

Yield guarantee income

Yield guarantee income is accounted for on a contingent basis and is recognized as income in the periods in which yield income is attributable on the basis of operating performance in the same periods.

Net change in fair value of investments derecognised at balance date

Sale of investments is recognised on settlement when the significant risks and rewards of the ownership of the investments have been transferred to the buyer. Risks and rewards are generally considered to have passed to the buyer at the time of settlement of the sale.

Net change in fair value of investments held at balance date

Change in net market value of investments is recognised as revenue or expense in determining the net profit for the period. Refer note 2(m) and 2(o) for detailed commentary on property, plant and equipment and investment properties.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(h) Finance costs**

Finance costs are recognised as an expense when incurred unless they relate to a qualifying asset or to upfront establishment and arrangement costs, which are deferred and amortised as an expense over the life of the facility or five years whichever is shorter. 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 Fund and the Trust for the acquisition or construction of a qualifying asset, the amount of the finance costs capitalised are those incurred in relation to the borrowing.

(i) 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 Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(j) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that collection of the full amount is no longer probable. Bad debts are written off when identified.

(k) Inventories

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 estimated costs of completion and the estimated costs necessary to make the sale.

(l) Derivative financial instruments and hedging

The Fund and the Trust use derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss for the year.

The fair values of interest rate swap are determined by reference to market values for similar instruments.

(m) 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 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale financial assets. The Fund and the Trust determine 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 2011 the Fund's and the Trust's investments have been classified as financial assets at fair value through profit or loss and loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(m) Investments and other financial assets (continued)***Recognition and derecognition*

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Fund and the Trust commit to purchase the assets. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

Financial assets at fair value through profit or loss

For investments where there is no quoted market or unit price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

After initial recognition, investments, which are classified as held for trading, are measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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, as well as through the amortisation process.

Subsidiaries

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

(n) Hotel property, plant and equipment

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

Depreciation is charged to income statement on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 3 to 20 years

Buildings – 50 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 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(n) Hotel property, plant and equipment (continued)***Impairment (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 would be 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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and impairment losses after the date of the revaluation.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement. Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve. An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus. In addition, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed annually on either a December or June anniversary date to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

(o) 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 conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss 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 profit or loss in the year of retirement or disposal.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(o) Investment properties (continued)**

Land and buildings 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.

The directors obtain independent valuations on investment properties annually to ensure that the carrying amount does not differ materially from the assets' fair value. The cycle of this review is staggered such that investment properties are independently revalued in either the June or the December reporting cycles. In determining fair value, the capitalisation of net income method and the discounting of future cashflows to their present value have been used.

Lease incentives provided by the Fund and the Trust to lessees, and rental guarantees which may be received by the Fund and the Trust from third parties (arising from the acquisition of investment properties) are included in the measurement of fair value of investment property and are treated as separate assets. Such assets are amortised over the respective periods to which the lease incentives and rental guarantees apply, 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.

Gains and losses arising from changes in the fair value of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the sale of investment properties are recognised in the income statement in the year of sale.

(p) 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.

Fund and Trust as lessor

Leases in which the Fund and the Trust retain substantially all the risks and benefits of ownership of the lease assets are classified as operating leases. The initial direct cost incurred in negotiating an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(q) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Fund and the Trust prior to the end of the financial year that are unpaid and arise when the Fund and the Trust become 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(r) Provisions and employee leave benefits**

Provisions are recognised when the Fund and the Trust have 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. Liabilities 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.

(s) Distributions and dividends

The Fund and the Trust generally distribute their distributable assessable income to its unitholders. Such distributions are determined by reference to the taxable income of the Fund and the Trust. 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 unitholders 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.

(t) 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 that are yield related are included as part of the carrying amount of loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(t) Interest-bearing loans and borrowings (continued)**

Borrowings are classified as current liabilities where the Fund and the Trust have 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 or five years whichever is shorter. 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 Fund and the Trust for the acquisition or construction of a qualifying asset, the amount of the borrowing costs capitalised are those incurred in relation to the borrowing.

(u) Contributed equity

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

(v) Transfers to / (from) total equity

In respect of the Fund and the Trust, revaluation increments or decrements arising from changes in the fair value of investment properties and derivative financial instruments, unrealised gains and losses in the net value of investments, accrued income not yet assessable and expenses provided for or accrued not yet deductible, net capital losses and tax free or tax deferred amounts maybe transferred to equity and may not be included in the determination of distributable income.

(w) Taxation

The Fund 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, the Trust is not liable to Australian income tax provided security holders are presently entitled to the taxable income of the Trust and the Trust generally distribute its taxable income.

Company income tax

AHL and its Australian resident wholly-owned subsidiaries have formed a Tax Consolidation Group. 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(w) Taxation (continued)**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(w) Taxation (continued)***New Zealand*

The Trust operating in New Zealand (NZ) is treated as a company for NZ income tax purposes and is taxed at the corporate tax rate of 30%. NZ income tax paid by the Fund 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 Fund is 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.

Companies in the Fund are companies incorporated in Australia. Abacus Chateau Pty Limited (ACPL) is a wholly owned subsidiary of AHL and is registered in NZ as an overseas company. Income derived by ACPL 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 company's NZ taxable income and taxed at the NZ corporate tax rate of 30%.

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 2011

3. FINANCIAL RISK MANAGEMENT

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

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

The main purpose of the financial instruments used by the Fund and the Trust is to raise finance for the Fund's and the Trust's operations. The Fund and the Trust have various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Fund and the Trust also enter into derivative transactions principally interest rate swaps. The purpose is to manage the interest rate exposure arising from the Fund's and the Trust'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 instrument are disclosed in notes 2 and 4 to the financial statements.

(a) Credit Risk

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

The Fund and the Trust manage 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;
- regularly monitoring loans and receivables balances on an ongoing basis;

With respect to credit risk arising from the other financial assets and liabilities of the Fund and the Trust, which comprise cash and cash equivalents and certain derivative instruments, the Fund's and the Trust's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

(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 Fund's and the Trust'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 Fund's and the Trust's expectations of future interest and market conditions.

As at 30 June 2011, the Fund and the Trust had cash of \$9.4 million and \$5.4 million respectively which are adequate to cover short term funding requirements.

Further information regarding the Fund's and the Trust's debt profile is disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

3. FINANCIAL RISK MANAGEMENT(continued)**(c) Refinancing Risk**

Refinancing risk is the risk that unfavorable interest rate and credit market conditions result in an unacceptable increase in the Fund's and the Trust's credit margins and interest cost. Refinancing risk arises when the Fund and the Trust are required to obtain debt to fund existing and new debt positions.

The Fund and the Trust are exposed to refinancing risks arising from the availability of finance as well as the interest rates and credit margins at which financing is available. The Fund and the Trust manage this risk by spreading maturities of borrowings and interest rate swaps and reviewing potential transactions to understand the impact on the Fund's and the Trust's credit worthiness.

(d) 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 Fund's and the Trust'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.

Foreign currency risk

The Fund and the Trust are exposed to currency risk on its investment in foreign operations denominated in a currency other than the functional currency of Fund entities. The currencies in which these transactions primarily are denominated are in AUD and NZD.

As a result the Fund's and the Trust's balance sheets can be affected by movements in the A\$/NZ\$ exchange rate.

The Fund and the Trust borrow loan funds in New Zealand dollars to substantially match the foreign currency property asset value exposure with a corresponding foreign currency liability and therefore expects to substantially mitigate foreign currency risk on its New Zealand denominated asset values.

Interest rate risk

The Fund's and the Trust's exposure to the risk of changes in market interest rates relates primarily to the Fund's and the Trust's long-term debt obligations with a floating interest rate.

The Fund's and the Trust's policy is to manage their interest costs using a mix of fixed and variable rate debt. The Fund's and the Trust's aims are to keep between 60% and 100% of their borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, the Fund and the Trust enter into interest rate swaps, in which the Fund and the Trust agree to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2011, approximately 67.9% (2010:100%) of available bank debt facilities were subject to fixed rate arrangements with a weighted average term to maturity of 5.63 years (2010: 1.04 years).

Fair value interest rate risk

As the Fund and the Trust hold 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. The level of fixed rate debt is disclosed in note 17 and it is acknowledged that this risk is a by-product of the Fund's attempt to manage its cash flow interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Company's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgments, 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 the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgments*Operating lease commitments – Fund and Trust as lessor*

The Fund and the Trust have entered into commercial property leases on its hotel property portfolio. The Fund and the Trust have determined that they retain all the significant risks and rewards of ownership of these properties and have thus classified the leases as operating leases.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and revenue tax losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(ii) Significant accounting estimates and assumptions*Valuation of investment properties and property, plant and equipment – Hotels*

The Fund and the Trust make judgements in respect of the fair value of investment properties and property, plant and equipment (note 2(o) and 2(m)). The fair value of these properties are reviewed regularly by management with reference to annual 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 discount rates that reflect current market uncertainties and current and recent property investment prices. If there is any material change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may differ and may need to be re-estimated.

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 the 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

5. REVENUE

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
(a) Hotel income				
Gross hotel revenue	54,654	83,784	-	-
Less: Cost of sales	(8,074)	(10,481)	-	-
Total hotel income	46,580	73,303	-	-
(b) Other Income				
Rental guarantee income	-	304	-	-
Debt Forgiveness on the Abacus Working Capital Facility*	11,000	-	11,000	-
Foreign currency exchange gain	176	23	176	23
Total other income	11,176	327	11,176	23

* Abacus Finance agreed to waive \$11m of the Abacus Working Capital Facility and this is no longer payable by the Fund.

6. EXPENSES

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
(a) Employee benefits expense				
Wages and salaries	17,761	25,949	-	-
Leave provisions	970	1,372	-	-
Other	2,037	2,947	-	-
Total employee benefits expense	20,768	30,268	-	-
(b) Depreciation and amortisation expense				
Depreciation of property, plant and equipment - hotels	4,483	8,051	-	-
Total depreciation and amortisation expense	4,483	8,051	-	-
(c) Finance costs				
Interest on loans	4,560	10,471	4,560	10,471
Interest on related party loans	5,571	7,958	5,571	7,958
Amortisation of finance costs	84	536	84	536
Total finance costs	10,215	18,965	10,215	18,965

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

7. INCOME TAX

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
(a) Income tax expense				
The major components of income tax expense are:				
Income Statement				
<i>Current income tax</i>				
Current income tax charge	(694)	(1,117)	-	-
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	(39)	(71)	-	-
Income tax (benefit) reported in the income statement	(733)	(1,188)	-	-
(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 accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:				
(Loss) / profit before income tax expense	8,347	(4,978)	-	-
Prima facie income tax (benefit) / expense calculated at 30%	2,504	(1,493)	-	-
Less prima facie income tax on loss / (profit) from the Trust	(3,032)	113	-	-
Prima Facie income tax of entities subject to income tax	(528)	(1,380)	-	-
Entertainment	7	20	-	-
Foreign exchange translation adjustments	(13)	(2)	-	-
Utilisation of prior year tax losses	(219)	-	-	-
Other items (net)	20	174	-	-
Income tax expense / (benefit)	(733)	(1,188)	-	-
Income tax expense / (benefit) reported in the consolidated income statement	(733)	(1,188)	-	-
(c) Recognised deferred tax assets and liabilities				
Deferred income tax at 30 June 2011 relates to the following:				
Deferred tax liabilities				
Other	330	422	-	-
Gross deferred income tax liabilities	330	422	-	-
Set off of deferred tax assets	(330)	(422)	-	-
Net deferred income tax liabilities	-	-	-	-
Deferred tax assets				
Losses available for offset against future taxable income	3,024	2,330	-	-
Employee provisions	449	425	-	-
Other	354	433	-	-
Gross deferred income tax assets	3,827	3,188	-	-
Set off of deferred tax assets	(330)	(422)	-	-
Net deferred income tax assets	3,497	2,766	-	-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

7. INCOME TAX (continued)

Losses available for offset against future gains

At 30 June 2011, the Fund has recognised a deferred tax asset of \$3m from unutilised tax losses which are available indefinitely for offset against future taxable profits subject to continuing to meet relevant statutory tests. The utilisation of these losses is dependent on future taxable profits. The Fund has determined, based on a profit forecast prepared, that future taxable profits will be available to offset these losses.

Unrecognised temporary differences

At 30 June 2011, there are no unrecognised temporary differences associated with the Fund's investments in subsidiaries, as the Fund has no liability for additional taxation should unremitted earnings be remitted (2010: \$nil).

Tax consolidation

AHL and its 100% owned Australian resident subsidiaries have formed a tax consolidated group. AHL is the head entity of the tax consolidated group. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. Members of the tax groups during the relevant periods have entered into tax sharing arrangements in order to allocate income tax expense to the head entity of the group. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At 30 June 2011, the possibility of default is remote.

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement requires 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 UIG 1052, the head entity accounts for these as equity transactions.

The amounts receivable or payable under the tax funding agreement 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.

8. DISTRIBUTIONS PAID AND PROPOSED

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
(a) Distributions paid during the year				
Jun 2010 quarter: 2.0625 cents per security (2009: 3.625 cents)	1,011	1,778	1,011	1,778
Sept 2010 quarter: 2.0625 cents per security (2009: 2.0625 cents)	1,011	1,011	1,011	1,011
Dec 2010 quarter: 2.0625 cents per security (2009: 2.0625 cents)	1,011	1,011	1,011	1,011
Mar 2011 quarter: 1.125 cents per security (2010: 2.0625 cents)	553	1,012	553	1,012
	3,586	4,812	3,586	4,812
(b) Distributions proposed and not recognised as a liability*				
Jun 2011 quarter: 1.125 cents per security (2010: 2.0625 cents)	553	1,011	553	1,011

* The final distribution of 1.125 cents per stapled security was declared on 1st July 2011. The distribution was paid on 8th August 2011 for \$0.55 million. No provision for the distribution has been recognised in the balance sheet at 30 June 2011 as the distribution had not been declared by the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

9. CASH AND CASH EQUIVALENTS

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
Reconciliation to Cash Flow Statement				
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June 2010:				
Cash at bank and in hand ⁽ⁱ⁾	9,407	9,737	5,407	4,319

(i) cash at bank earns interest at floating rates. The carrying amounts of cash and cash equivalents represent fair value.

Reconciliation of net profit after tax to net cash flows from operations

Net profit / (loss)	9,080	(3,790)	10,109	(1,833)
Adjustments for:				
Depreciation of non-current assets	4,483	8,051	-	-
Amortisation of finance costs	84	536	84	536
Debt Forgiveness	(11,000)	-	(11,000)	-
Net change in fair value of financial instruments held at balance date	(422)	(961)	(422)	(961)
Net change in fair value of financial instruments derecognised	(254)	(542)	(254)	(542)
Net change in fair value of hotel property, plant and equipment held at balance date	1,174	6,263	-	-
Net change in fair value of hotel property, plant and equipment derecognised	15	(10,736)	15	-
Net change in fair value of investment property held at balance date	(1,509)	1,917	2,788	14,962
Net change in fair value of investment property derecognised	-	-	-	(10,905)
Foreign currency exchange difference	(180)	(27)	(180)	(27)
Increase/(decrease) in payables	5	4,731	442	6,289
Decrease/(increase) in receivables and other assets	4,744	1,378	4,986	(1,517)
Net cash from operating activities	6,220	6,820	6,568	6,002

Disclosure of financing facilities

Refer to note 16d.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

10. TRADE AND OTHER RECEIVABLES

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
Trade debtors	3,018	3,299	7	2
Other debtors	191	424	73	104
Related party receivables ⁽¹⁾	-	-	5,001	4,573
Gross receivables	3,209	3,723	5,081	4,679
Less provision for doubtful debts	(17)	(6)	-	-
Total net receivables	3,192	3,717	5,081	4,679
(b) Non-current receivables				
Related party receivables ⁽²⁾	-	-	9,840	9,651
Total net receivables	-	-	9,840	9,651

(1) Current related party receivables are due from hotel companies consolidated in AHL for monthly rental income expected to be received in 12 months.

(2) Non-current related party receivables are due from hotel companies consolidated in AHL for interim funding in relation to operating activities not expected to be settled in 12 months.

11. OTHER CURRENT ASSETS

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
Prepayments	887	436	611	144
Inventories	499	480	-	-
Total other current assets	1,386	916	611	144

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

12. HOTEL PROPERTY, PLANT AND EQUIPMENT

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000
Property		
Australian Hotels	121,450	126,450
NZ Hotel	21,637	22,749
	143,087	149,199

Average market capitalisation rate	8.95%	8.93%
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	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000
Land and buildings		
At 1 July, net of accumulated depreciation	132,498	245,444
Additions	561	107
Disposals	-	(111,956)
Revaluations	(2,794)	3,186
Effect of movements in foreign exchange	(1,027)	210
Depreciation charge for the year	(1,996)	(4,493)
At 30 June, net of accumulated depreciation	127,243	132,498
Cost or fair value	138,481	141,772
Accumulated depreciation	(11,238)	(9,274)
Net carrying amount at end of period	127,243	132,498

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Plant and equipment		
At 1 July, net of accumulated depreciation	16,701	30,406
Additions	1,734	1,422
Disposals	-	(11,417)
Revaluations	-	(169)
Effect of movements in foreign exchange	(104)	17
Depreciation charge for the year	(2,487)	(3,558)
At 30 June, net of accumulated depreciation	15,844	16,701
Cost or fair value	30,027	28,492
Accumulated depreciation	(14,183)	(11,791)
Net carrying amount at end of period	15,844	16,701

Total net carrying amount of Property, Plant & Equipment	143,087	149,199
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If property, plant and equipment was carried under the cost model, the carrying amount would be \$144.9m.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

12. HOTEL PROPERTY, PLANT AND EQUIPMENT (continued)*Impairment loss on property, plant and equipment:*

Property, plant and equipment held in AHF relate to hotel assets and are held at fair value at 30 June 2011. During the year a decline in fair value to reflect recoverable amount was recognised for these assets and as these specific assets had no previous accumulated asset revaluation reserve, the decline in value to reflect recoverable amount was recognised as an impairment of \$1.2m in the income statement. Recoverable amount has been determined as the fair value of the property, plant and equipment as determined by reference to internal and external valuations performed as detailed below.

The hotel property, plant and equipment are carried at the directors' determination of fair value and are based on independent valuation. 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.

At 30 June 2011, 25% of the property portfolio was subject to external valuation, the remaining 75% was subject to internal valuation (having already been independently valued at 31 December 2010).

Independent valuations of the hotel property, plant and equipment are conducted either in December or June of each year. The key underlying assumptions, on a portfolio basis, contained within the independent and director valuations above are as follows:

- A weighted average capitalisation rate for the hotel properties is 8.90% (2010: 8.93%).
- The current weighted average occupancy rate for the hotel properties is 71.3% (2010: 72.6%).

The independent and director valuations are based on common valuation methodologies including capitalisation and discounted cash flow approaches, which have regard to recent market sales evidence. Accordingly, the directors' valuations at 30 June 2011 have regards to market sales evidence in adopting a market valuation for each property including the key assumptions outlined.

The hotel property, plant and equipment are used as security for secured bank debt.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

13. HOTEL INVESTMENT PROPERTY

Reconciliation

A reconciliation of the carrying amount of the hotel investment property at the beginning and end of the year is as follows:

	AHF	AHF	AHT	AHT
	Consolidated	Consolidated	Consolidated	Consolidated
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the financial period	11,000	12,700	154,150	269,621
Straight lining rental asset	(9)	217	(9)	-
Additions and capital expenditure	-	-	953	328
Disposals	-	-	-	(111,960)
Fair value adjustments for properties held at balance date	1,509	(1,917)	(4,408)	(14,962)
Fair value adjustments for properties derecognised at balance date	-	-	-	10,905
Effect of movements in foreign exchange	-	-	(1,078)	218
Carrying amount at end of the financial year	12,500	11,000	149,608	154,150
Average market capitalisation rate	8.90%	9.10%	8.95%	8.94%

At 30 June 2011, the Fund property was subject to internal valuation. The Trust property portfolio was subject to internal valuation of 80%, with the remaining 20% subject to external valuation.

The investment property is carried at the directors' determination of fair value and is based on independent valuation. 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.

An independent valuation of the investment property is conducted annually. The key underlying assumptions contained within the independent and director valuations above are as follows:

- A weighted average capitalisation rate for the AHT investment property is 8.95% (2010: 8.94%)
- A rent review of 4% annually (2010:4%) for AHF only
- The current occupancy rate for the AHT hotel investment property is 71.5% (2010: 72.6%).

The independent and director valuations are based on common valuation methodologies including capitalisation and discounted cash flow approaches, which have regard to recent market sales evidence. Accordingly, the directors' valuations at 30 June 2011 have regards to market sales evidence in adopting a market valuation for each property including the key assumptions outlined.

The investment property is used as security for secured bank debt.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

14. TRADE AND OTHER PAYABLES

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
Trade creditors	1,705	1,513	971	14
Other creditors	2,001	2,281	6	34
Advance deposit	2,664	2,299	-	-
Goods and services tax	994	1,551	293	473
Accrued expenses	264	731	263	731
	7,628	8,375	1,533	1,252

15. PROVISIONS

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
(a) Current				
Employee entitlements	891	828	-	-
Other	35	24	-	-
	926	852	-	-
(b) Non-current				
Employee entitlements	600	580	-	-
	600	580	-	-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

16. INTEREST BEARING LOANS AND BORROWINGS

	AHF	AHF	AHT	AHT
	Consolidated	Consolidated	Consolidated	Consolidated
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
(a) Current				
Bank loans - A\$ ^{(1) (3)}	-	42,600	-	42,600
Bank loans - A\$ value of NZ\$ denominated loan ^{(2) (3)}	-	28,437	-	28,437
Loans from related parties ⁽⁴⁾⁽⁵⁾	5,255	2,499	5,255	2,499
	5,255	73,536	5,255	73,536
(b) Non-current				
Bank loans - A\$ ^{(1) (3)}	49,240	8,640	49,240	8,640
Bank loans - A\$ value of NZ\$ denominated loan ^{(2) (3)}	19,739	-	19,739	-
Loans from related parties ⁽⁴⁾⁽⁵⁾	89,317	86,079	89,317	86,079
	158,296	94,719	158,296	94,719
(c) Maturity profile of current and non-current interest bearing loans				
Due within one year	5,255	73,536	5,255	73,536
Due within two to five years	75,979	8,640	75,979	8,640
Due after five years	82,317	79,079	82,317	86,079
	163,551	161,255	163,551	168,255

The Fund and the Trust maintain 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.

(1) Bank loans – A\$ are provided by a major bank at floating interest rates. The loans are denominated in Australian dollars and the loan matures on 30 June 2014. The interest on floating rate borrowings is paid quarterly based on existing swap and yield rates quoted on the rate reset date. The bank loans are secured by a charge over the investment properties and certain property, plant and equipment as detailed in note 12 and note 13.

(2) Bank loan – NZ\$ is provided by a major bank at floating interest rate. The loan is denominated in New Zealand dollars and is secured by a charge over the hotel property plant and equipment in note 12. The interest on floating rate borrowings is paid quarterly based on existing swap and yield rates quoted on the rate reset date. The loan matures on 30 June 2014 and has a term to maturity of 3 years.

(3) The effective fixed interest rate of borrowings which are covered by fixed rate swaps (including bank margins and fees) on the drawn amounts was 8.21% as at 30 June 2011 (June 2010: 8.38%). Approximately 67.9% (June 2010: 100%) of drawn bank debt facilities were subject to fixed rate arrangements with a weighted average term to maturity of 5.6 years (June 2010: 1.04 years).

(4) Loans from related parties relate to fixed rate loans provided by Abacus Finance Pty Ltd to assist in funding the acquisition of hotels and provide working capital. The interest rate on the borrowings is 8% however for six months from 1 January 2011 to 30 June 2011 only the rate was reduced to 4.37%. The loan matures in March 2016 and has remaining term to maturity of 4.7 years. This loan ranks equally with other unitholders upon liquidation of AHF to the extent of a deficit/shortfall to issue price.

(5) Loans from related parties also include a further AUD \$10 million facility which was established with Abacus Finance Pty Ltd. The loan matures in July 2014 and has a term to maturity of 3.1 years. The interest rate on the borrowing was BBSY+3.25% p.a for the year.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

16. INTEREST BEARING LOANS AND BORROWINGS (continued)

(d) Financing facilities available

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

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
Total facilities - bank loans	78,261	79,677	78,261	79,677
Facilities used at reporting date - bank loans	(68,979)	(79,677)	(68,979)	(79,677)
Facilities unused at reporting date - bank loans	9,282	-	9,282	-

(e) Assets pledged as security

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
Non-current				
<i>First mortgage</i>				
Investment properties and Property, plant and equipment	155,587	160,199	149,608	154,150
Total assets pledged as security	155,587	160,199	149,608	154,150

(f) Defaults and breaches

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

17. FINANCIAL INSTRUMENT

(i) Credit Risk

Credit Risk Exposures

The Fund's and the Trust's maximum exposure to credit risk at the reporting date was:

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
Receivables	3,192	3,717	5,081	4,679
Related party receivables	-	-	9,840	9,651
Cash and cash equivalents	9,407	9,737	5,407	4,319
	12,599	13,454	20,328	18,649

As at 30 June 2011, the Fund had the following concentrations of credit risk:

- Receivables: \$2.9 million represented by trading receivable by hotel operating companies in AHL.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

17. FINANCIAL INSTRUMENT (continued)

(ii) Credit Risk (continued)

The following table illustrates grouping of the Fund's and the Trust's trade receivables. As noted in disclosure note 3, the Fund and the Trust mitigate the exposure to this risk by evaluation of the credit submission before acceptance, ensuring security is obtained and consistent and timely monitoring of the financial instrument to identify any potential adverse changes in the credit quality:

CONSOLIDATED AHF					
	Total	Original term (1)	Extended term	Past due term (2)	Impaired
30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other receivables	3,209	2,325	728	156	-
less: provisioning	(17)	-	-	(17)	-
Total	3,192	2,325	728	139	-

(1) Terms are extended typically in recognition of hotel trading conditions (peak season) and agreement with vendors.

(2) For loans with past due terms all are less than one year old. Other than the provision raised, the Fund has assessed that the remaining debtors are still recoverable.

CONSOLIDATED AHF					
	Total	Original term (1)	Extended term	Past due term (2)	Impaired
30 June 2010	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other receivables	3,723	3,274	390	59	-
less: provisioning	(6)	-	-	(6)	-
Total	3,717	3,274	390	53	-

(1) For loans with past due terms all are less than two years old. The Fund has assessed that these were still recoverable.

(2) For loans with past due terms all are less than one year old. Other than the provision raised, the Fund has assessed that the remaining debtors are still recoverable.

CONSOLIDATED AHT					
	Total	Original term	Extended term	Past due term	Impaired
30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other receivables	5,081	5,081	-	-	-
less: provisioning	-	-	-	-	-
Total	5,081	5,081	-	-	-

CONSOLIDATED AHT					
	Total	Original term	Extended term	Past due term	Impaired
30 June 2010	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other receivables	14,330	14,330	-	-	-
less: provisioning	-	-	-	-	-
Total	14,330	14,330	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

17. FINANCIAL INSTRUMENT (continued)

(i) Credit Risk (continued)

The movement in the allowance for the impairment in respect of trade receivables during the year was as follows:

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
Balance at 1 July 2010	6	16	-	-
Impairment loss recognised	14	(12)	-	-
Impairment loss utilised	(3)	2	-	-
Balance at 30 June 2011	17	6	-	-

(ii) Liquidity Risk

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

CONSOLIDATED AHF	Carrying Amount \$'000	Contractual cash flows \$'000	1 Year or less \$'000	Over 1 year to 5 years \$'000	Over 5 years \$'000
30 June 2011					
Liabilities					
Trade and other payables	7,628	7,628	7,628	-	-
Interest bearing loans and borrowings incl derivatives [#]	169,575	205,153	15,116	184,043	5,994
Total liabilities	177,203	212,781	22,744	184,043	5,994

Includes derivative value of \$6.0 million.

CONSOLIDATED AHF	Carrying Amount \$'000	Contractual cash flows \$'000	1 Year or less \$'000	Over 1 year to 5 years \$'000	Over 5 years \$'000
30 June 2010					
Liabilities					
Trade and other payables	8,375	8,375	8,375	-	-
Interest bearing loans and borrowings incl derivatives [#]	177,376	214,264	87,103	36,441	90,720
Total liabilities	185,751	222,639	95,478	36,441	90,720

Includes derivative value of \$9.1 million.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

17. FINANCIAL INSTRUMENT (continued)

(ii) Liquidity Risk (continued)

CONSOLIDATED AHT	Carrying Amount	Contractual cash flows	1 Year or less	Over 1 year to 5 years	Over 5 years
30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities					
Trade and other payables	1,533	1,533	1,533	-	-
Interest bearing loans and borrowings incl derivatives [#]	169,575	205,153	15,116	184,043	5,994
Total liabilities	171,108	206,686	16,649	184,043	5,994

Includes derivative value of \$6.0 million.

CONSOLIDATED AHT	Carrying Amount	Contractual cash flows	1 Year or less	Over 1 year to 5 years	Over 5 years
30 June 2010	\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities					
Trade and other payables	1,252	1,252	1,252	-	-
Interest bearing loans and borrowings incl derivatives	177,376	214,264	87,103	36,441	90,720
Total liabilities	178,628	215,516	88,355	36,441	90,720

Includes derivative value of \$9.1 million.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

17. FINANCIAL INSTRUMENT (continued)

(iii) Currency Risk

The following table shows the Fund's and the Trust's investments denominated in a foreign currency.

	NZD	
	2011	2010
CONSOLIDATED	\$'000	\$'000
Assets		
Cash at bank	2,563	1,412
Total assets	2,563	1,412

	NZD	
	2011	2010
CONSOLIDATED	\$'000	\$'000
Liabilities		
Interest bearing loans and borrowings	25,568	35,000
Total liabilities	25,568	35,000

The Fund and the Trust borrow loan funds in New Zealand dollars to substantially match the foreign currency property asset value exposure with a corresponding foreign currency liability and therefore expects to substantially mitigate the foreign currency risk on its New Zealand denominated asset values.

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date.

At 30 June 2011, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post tax profit		Equity	
	Higher/(lower)		Higher/(lower)	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Consolidated				
AUD/NZD +10%	(180)	(98)	-	-
AUD/NZD -10%	219	119	-	-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

17. FINANCIAL INSTRUMENT (continued)

(iv) Interest rate risk

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

CONSOLIDATED AHF						
	Floating interest rate \$'000	Fixed interest maturing in 1 year or less \$'000	Fixed interest maturing in 1 to 5 years \$'000	Fixed interest maturing in over 5 years \$'000	Non interest bearing \$'000	Total \$'000
30-Jun-11						
Financial Assets						
Cash & cash equivalents	9,407	-	-	-	-	9,407
Receivables	-	-	-	-	3,192	3,192
Total financial assets	9,407	-	-	-	3,192	12,599
Weighted average interest rate	3.55%					
Financial liabilities						
Interest bearing liabilities - bank	22,176	-	46,803	-	-	68,979
Related party loans	-	5,255	89,317	-	-	94,572
Derivatives	-	-	-	-	6,024	6,024
Payables	-	-	-	-	7,628	7,628
Total financial liabilities	22,176	5,255	136,120	-	13,652	177,203
Weighted average interest rate	8.21%	6.22%	6.98%			
CONSOLIDATED AHF						
	Floating interest rate \$'000	Fixed interest maturing in 1 year or less \$'000	Fixed interest maturing in 1 to 5 years \$'000	Fixed interest maturing in over 5 years \$'000	Non interest bearing \$'000	Total \$'000
30-Jun-10						
Financial Assets						
Cash & cash equivalents	9,737	-	-	-	-	9,737
Receivables	-	-	-	-	3,717	3,717
Total financial assets	9,737	-	-	-	3,717	13,454
Weighted average interest rate	3.51%					
Financial liabilities						
Interest bearing liabilities - bank	-	71,037	8,640	-	-	79,677
Related party loans	-	2,499	-	86,079	-	88,578
Derivatives	-	-	-	-	9,121	9,121
Payables	-	-	-	-	8,375	8,375
Total financial liabilities	-	73,536	8,640	86,079	17,496	185,751
Weighted average interest rate		8.37%	8.38%	8.00%		

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

17. FINANCIAL INSTRUMENT (continued)

(iv) Interest rate risk (continued)

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

CONSOLIDATED AHT						
	Floating interest rate \$'000	Fixed interest maturing in 1 year or less \$'000	Fixed interest maturing in 1 to 5 years \$'000	Fixed interest maturing in over 5 years \$'000	Non interest bearing \$'000	Total \$'000
30-Jun-11						
Financial Assets						
Cash & cash equivalents	5,407	-	-	-	-	5,407
Receivables	-	-	-	-	5,081	5,081
Total financial assets	5,407	-	-	-	5,081	10,488
Weighted average interest rate	3.50%					
Financial liabilities						
Interest bearing liabilities - bank	22,176	-	46,803	-	-	68,979
Related party loans	-	5,255	89,317	-	-	94,572
Derivatives	-	-	-	-	6,024	6,024
Payables	-	-	-	-	7,628	7,628
Total financial liabilities	22,176	5,255	136,120	-	13,652	177,203
Weighted average interest rate	8.21%	6.22%	6.98%			
CONSOLIDATED AHT						
	Floating interest rate \$'000	Fixed interest maturing in 1 year or less \$'000	Fixed interest maturing in 1 to 5 years \$'000	Fixed interest maturing in over 5 years \$'000	Non interest bearing \$'000	Total \$'000
30-Jun-10						
Financial Assets						
Cash & cash equivalents	4,319	-	-	-	-	4,319
Receivables	-	-	-	-	14,330	14,330
Total financial assets	4,319	-	-	-	14,330	18,649
Weighted average interest rate	3.68%					
Financial liabilities						
Interest bearing liabilities - bank	-	71,037	8,640	-	-	79,677
Related party loans	-	2,499	-	86,079	-	88,578
Derivatives	-	-	-	-	9,121	9,121
Payables	-	-	-	-	1,252	1,252
Total financial liabilities	-	73,536	8,640	86,079	10,373	178,628
Weighted average interest rate		8.37%	8.38%	8.00%		

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

17. FINANCIAL INSTRUMENT (continued)

(iv) Interest rate risk (continued)

Summarised interest rate sensitivity analysis

The table below illustrates the potential impact a change in interest rate by +/- 1% would have had on the Fund's profit and equity on a pre-tax basis:

CONSOLIDATED AHF					
	Carrying amount	-1%		1%	
	Floating	Profit	Equity	Profit	Equity
30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets	9,407	(94)	-	94	-
Financial liabilities	28,200	(11,315)	-	(2,356)	-

CONSOLIDATED AHF					
	Carrying amount	-1%		1%	
	Floating	Profit	Equity	Profit	Equity
30 June 2010	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets	9,737	(97)	-	97	-
Financial liabilities	9,121	(6,477)	-	4,941	-

The table below illustrates the potential impact a change in interest rate by +/- 1% would have had on the Trust's profit and equity on a pre-tax basis:

CONSOLIDATED AHT					
	Carrying amount	-1%		1%	
	Floating	Profit	Equity	Profit	Equity
30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets	5,407	(54)	-	54	-
Financial liabilities	28,200	(11,315)	-	(2,356)	-

CONSOLIDATED AHT					
	Carrying amount	-1%		1%	
	Floating	Profit	Equity	Profit	Equity
30 June 2010	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets	4,319	(43)	-	43	-
Financial liabilities	9,121	(6,477)	-	4,941	-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

17. FINANCIAL INSTRUMENT (continued)

(v) Fair values

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

As at 30 June 2011, the Fund and the Trust have adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires the classification of fair value measurements into the following hierarchy:

- (a) Level 1 Quoted prices (unadjusted) in active market for identical assets or liabilities;
- (b) 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
- (c) Level 3 Inputs for the asset or liability that are not based on observable market data.

The following table presents the Fund's and Trust's assets and liabilities measured and recognised as at fair value at 30 June 2011. Comparative information has not been provided as permitted by the transitional provisions of the new amendments.

	Level 1	Level 2	Level 3	Total
	2011	2011	2011	2011
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000
Non-current				
Derivative liabilities	-	6,024	-	6,024
Total non-current	-	6,024	-	6,024

There were no transfers between levels 1,2 and 3 during the year.

	Level 1	Level 2	Level 3	Total
	2010	2010	2010	2010
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000
Non-current				
Derivative liabilities	-	9,121	-	9,121
Total non-current	-	9,121	-	9,121

There were no transfers between levels 1,2 and 3 during the year.

Determination of fair value

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

18. CONTRIBUTED EQUITY

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
(a) Issued securities				
Issued securities	45,611	45,611	43,152	43,152
Total contributed equity	45,611	45,611	43,152	43,152

(b) Movement in stapled securities on issue	AHF		AHT	
	Issued securities		Issued units	
	Number '000	Value \$'000	Number '000	Value \$'000
At 1 July 2010	49,039	45,611	49,039	43,152
Securities on issue at 30 June 2011	49,039	45,611	49,039	43,152

TERMS AND CONDITIONS OF STAPLED SECURITIES

Each security confers upon the security holder an equal interest in the Fund and the Trust, and is of equal value. A security does not confer any interest in any particular asset or investment of the scheme. security holders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- Receive income distributions;
- Attend and vote at meetings of security holders;
- Participate in the termination and winding up of the scheme;

The Abacus working capital loan ranks equally with other securityholders upon liquidation of AHF and AHT to the extent of a deficit/shortfall to issue price.

CAPITAL MANAGEMENT

The Fund and Trust seek to manage its capital requirements through a mix of debt and equity funding. It also ensures that Fund and Trust entities comply with capital and distribution requirements of their constitutions and/or Fund and Trust deeds, the capital requirements of relevant regulatory authorities and continue to operate as going concerns. The Fund and Trust also protect their equity in assets by taking out insurance.

The Fund and Trust assess 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, the Fund and Trust routinely review their capital structure to ensure sufficient funds and financing facilities, on a cost effective basis are available to implement the Fund's and Trust's strategy that adequate financing facilities are maintained and distributions to members are made within the stated distribution guidance (i.e. distributions are paid out of operating cashflows and to the extent where necessary, Abacus Finance Pty Limited will defer the payment of interest on its Working Capital Facility and/or management fees to support the distribution).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

18. CONTRIBUTED EQUITY (continued)

CAPITAL MANAGEMENT (continued)

The Fund and Trust actively manage its capital via the following strategies: issuing new stapled securities, activating its distribution reinvestment plan, adjusting the amount of distributions paid to members, activating a security buyback program, divesting assets, active management of the Fund's and the Trust's fixed rate swaps or (where practical) recalibrating the timing of transactions and capital expenditure so as to avoid a concentration of net cash outflows.

A summary of the AHF's and the AHT's key banking covenants is set out below. It is recognised that falling property prices could place pressure on compliance with the LVR. With financial support from APG to the extent necessary, AHF and AHT anticipate managing its covenant compliance by effecting the strategies set out above.

Covenant	Measure	Key details
Nature of facilities	Secured, non recourse	The Fund and the Trust have no unsecured facilities
LVR	55%	Draw Loan less cash secured / Bank accepted valuations
ICR	1.5	Underlying EBITDA (ex fair value P&L)/ Interest expense (including fixed rate swaps and excluding Abacus working capital interest)

Details of AHF's and AHT's banking facilities at 30 June 2011 are as follows:

	Total Facility Limit	Amount Drawn	Amount Undrawn
	\$'000	\$'000	\$'000
Due within one year	-	-	-
Due within two years	-	-	-
Due within three years	78,261	68,979	-

At 30 June 2011, 67.9% of AHF's and AHT's total bank debt facilities were covered by interest rate swap arrangements at an average fixed interest rate (including bank margin) of 8.21% with average term to maturity of 5.6 years.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

19. RELATED PARTY DISCLOSURES

Information required to be disclosed concerning relationships, transactions and balances with related parties of the Fund and the Trust is set out in this note unless disclosed elsewhere in this financial report.

The Fund and the Trust form part of the AHF and the related party disclosures for the Fund have the same applicability to it. As such while the related party disclosures make reference to the Fund, they also relate to the Fund and the Trust.

(a) Subsidiaries

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

Entity	Equity interest	
	2011 %	2010 %
<i>Abacus Hospitality Limited and its subsidiaries:</i>		
Abacus Tradewinds Operating Company Pty Ltd	100	100
Abacus Chateau Pty Ltd	100	100
Abacus Twin Waters Resort Pty Ltd	100	100
Abacus Market Street Hotel Pty Ltd	100	100
Abacus Gladstone Hotel Pty Ltd	100	100
Abacus Townsville Hotel Pty Ltd	100	100
Abacus Matson Holding Pty Ltd	100	100
<i>Abacus Hospitality Trust and its subsidiaries</i>		
Abacus Tradewinds Trust	100	100
Abacus Chateau Trust	100	100
Abacus Twin Waters Resort Trust	100	100
Abacus Gladstone Hotel Trust	-	100
Abacus Townsville Hotel Trust	-	100
Abacus Market Street Hotel Trust	100	100
Abacus Diplomat Hotel Trust	100	100
Abacus Matson Resort Trust	100	100

(b) Responsible Entity

The Responsible Entity of AHF is AFML, an Australian Financial Services License holder whose immediate and ultimate holding company is AGHL. Transactions between the Fund and the Responsible Entity result from normal dealings with that company as the Fund's Responsible Entity.

(c) Key Management Personnel

Details of key management personnel are disclosed in Note 20.

(d) Director-related entity transactions

A director, Mr Dennis Bluth, is a partner in the legal firm HWL Ebsworth. During the year a total amount of \$1,210 (2010: \$12,085) was paid to HWL Ebsworth for legal services relating to lease documentations.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

19. RELATED PARTY DISCLOSURES (continued)

(e) Transactions with related parties

	AHF Consolidated 2011 \$'000	AHF Consolidated 2010 \$'000	AHT Consolidated 2011 \$'000	AHT Consolidated 2010 \$'000
Transactions with related parties other than associates and joint ventures				
Expense				
Management fee	1,625	2,664	1,625	2,664
Other fees	336	466	336	466
Other transactions				
Balance of loan advanced from related party	94,572	88,578	94,572	88,578
Loan repayments to related party	-	(21,060)	-	(21,060)
Debt forgiveness	(11,000)	-	(11,000)	-
Interest expense of loan from related party	5,571	7,957	5,571	7,957
Loan received from related party	11,422	10,619	11,422	10,619

Terms and conditions of transactions

Sales and fees to and purchases and fees charged from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

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

No provision for doubtful debts has been recognised or bad debts incurred with respect to amounts payable or receivable from related parties during the year.

(f) Investments

Details of investments in the Fund and the Trust by related funds and the Abacus Property Group are set out below:

2011	% interest	Securities held	Securities disposed	Distributions paid / payable
Virginia Park Investment Trust	20%	10.0 million	-	\$639,762

2010	% interest	Securities held	Securities disposed	Distributions paid / payable
Virginia Park Investment Trust	20%	10.0 million	-	\$827,928

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

19. RELATED PARTY DISCLOSURES (continued)

(g) Fees

AFML provides management and investment accounting services to the Fund.

All costs associated with the provision of investment accounting services are paid for by the Responsible Entity, and are conducted on normal commercial terms and conditions.

The Responsible Entity receives all management fees that have been paid by the Fund during the year. In accordance with Fund's offer document and constitution, the Responsible Entity is entitled to receive a management fee of 0.85% of the total assets of the fund per annum under the terms of the Constitution. The fees are paid on a monthly basis. Total fees paid to the Responsible Entity during the year for management of the Fund were \$1.6 million (2010: \$2.6 million).

Also in accordance with the terms in the Fund's offer document and constitution, the Responsible Entity is entitled to receive property transaction, fund establishment and capital raising fees. AHF didn't pay any property acquisition, fund establishment and capital raising fees to the Responsible Entity million for the year ended 30 June 2011 (2010: nil).

20. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

(i) Directors

John Thame	Chairman (Non-executive)
Frank Wolf	Managing Director
William Bartlett	Non-executive Director
David Bastian	Non-executive Director
Dennis Bluth	Non-executive Director (retired 12 November 2010)
Malcolm Irving	Non-executive Director
Len Lloyd	Executive Director
Myra Salkinder	Non-executive Director (appointed 12 April 2011)

(ii) Executives

E Varejes	Chief Operating Officer and Company Secretary
R. de Aboitiz	Chief Financial Officer
J. L'Estrange	Director - Property Ventures
P. Strain	Director - Property

(b) Compensation details of Key Management Personnel

No amount is paid by the Fund and the Trust directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Fund to the Directors as Key Management Personnel.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

20. KEY MANAGEMENT PERSONNEL (continued)

(c) Other related entity transactions

In addition to the Directors note above, Abacus Funds Management Limited, the Responsible Entity of the Trust is considered to be Key Management Personnel with the authority for the strategic direction and management of the Trust.

Compensation is paid to the Responsible Entity in the form of fees and is disclosed in note 19(g).

21. COMMITMENTS AND CONTINGENCIES

There are no contingent liabilities referable to AHF and AHT at 30 June 2011.

Information required to be disclosed concerning relationships, transactions and balances with related parties of the Fund is set out in this note unless disclosed elsewhere in this financial report.

The Company forms part of AHF and the related party disclosures for the Fund has the same applicability to it. As such while the related party disclosures make reference to the Fund, they also relate to the Company.

22. AUDITOR'S REMUNERATION

The auditor of the Fund and the Trust is Ernst & Young.

	AHF Consolidated 30 June 2011 \$	AHF Consolidated 30 June 2010 \$	AHT Consolidated 30 June 2011 \$	AHT Consolidated 30 June 2010 \$
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 entity	91,000	124,000	10,500	8,500

23. SUPERANNUATION COMMITMENTS

The Fund sponsors accumulation style superannuation funds and plans to provide retirement benefits to its employees. There are no unfunded liabilities in respect of these superannuation funds and plans at 30 June 2011. The Fund does not sponsor defined benefit style superannuation funds and plans.

24. EMPLOYEES

At 30 June 2011, Abacus Hospitality Fund, through its controlled entities, employed 559 employees in total. (2010: 579 employees).

The day to day management of the hotels are outsourced to specialist hotel operators under a long-term management agreement or a long-term lease. Currently the Fund has management agreements with well known hotel operators Accor and Rydges.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

25. PARENT ENTITY DISCLOSURE

As at and for the year ended 30 June 2011 the parent entity of the Fund was Abacus Hospitality Limited.

	AHF PARENT 2011 \$'000	AHF PARENT 2010 \$'000	AHT PARENT 2011 \$'000	AHT PARENT 2010 \$'000
Results of the parent entity				
Profit/(loss) for the year	(1)	(2)	7,425	2,475
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	(1)	(2)	7,425	2,475
Financial position of the parent entity at year end				
Current assets	-	-	6,751	6,145
Total assets	814	814	119,933	168,253
Current liabilities	544	542	6,699	33,788
Total liabilities	594	592	121,779	173,938
Net assets	220	222	(1,846)	(5,685)
Total equity of the parent entity comprising of:				
Issued capital	2,458	2,458	43,152	43,152
Reserves	-	-	-	-
Retained earnings	(2,238)	(2,236)	(44,998)	(48,837)
Total equity	220	222	(1,846)	(5,685)

Parent Entity contingencies

There are no contingencies with the parent entity as at 30 June 2011 (2010: \$Nil).

Parent Entity capital commitments

The parent entity has not entered into any capital commitments as at 30 June 2011 (2010: \$Nil).

Parent Entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

26. DEED OF CROSS GUARANTEE

AHL and two of its wholly-owned companies (the “Closed Group”) – Abacus Market Street Hotel Pty Limited and Abacus Twin Waters Resort Pty Limited, are parties to a Deed of Cross Guarantee (the “Deed”). The effect of the Deed is that the members of the Closed Group guarantee to each creditor, payment in full of any debt, in the event of winding up of any of the members under certain provisions of the Corporations Act 2001.

ASIC Class Order 98/1418 (as amended) dated 13 August 1998, provided relief to parties to the Deed from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors’ reports, subject to certain conditions as set out therein. This Class Order does not apply to trusts.

Pursuant to the requirements of this Class order, a summarised consolidated Income Statement for the year ended 30 June 2011 and Balance Sheet as at 30 June 2011, comprising the members of the closed Group after eliminating all transactions between members are set out as bellows:

	CLOSED GROUP	
	2011	2010
	\$'000	\$'000
Summarised Income Statement		
Profit/(loss) before income tax benefit/(expense)	(915)	(1,169)
Income tax benefit/(expense)	268	467
Profit/(loss) for the year	(647)	(702)

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

26. DEED OF CROSS GUARANTEE (continued)

	CLOSED GROUP	
	2011	2010
	\$'000	\$'000
CURRENT ASSETS		
Cash and cash equivalents	1,479	1,962
Trade and other receivables	524	1,449
Other assets	345	327
TOTAL CURRENT ASSETS	2,348	3,738
NON-CURRENT ASSETS		
Hotel Property, plant and equipment	2,278	2,333
Deferred tax assets	1,180	944
Investment in controlled entities	811	811
TOTAL NON-CURRENT ASSETS	4,269	4,088
TOTAL ASSETS	6,617	7,826
CURRENT LIABILITIES		
Trade and other payables	6,927	7,527
Provisions	333	307
TOTAL CURRENT LIABILITIES	7,260	7,834
NON-CURRENT LIABILITIES		
Deferred tax liabilities	234	265
Provisions	339	295
TOTAL NON-CURRENT LIABILITIES	573	560
TOTAL LIABILITIES	7,833	8,394
NET ASSETS	(1,216)	(568)
	CLOSED GROUP	
	2011	2010
	\$'000	\$'000
EQUITY		
Contributed equity	2,459	2,459
Accumulated losses	(3,675)	(3,027)
TOTAL EQUITY	(1,216)	(568)

27. EVENTS AFTER THE BALANCE SHEET DATE

Other than as disclosed in this report and to the knowledge of directors, there has been no other matter or circumstance that has arisen since the end of the financial year that has or may affect the Fund's and the Trust's operations in future financial years, the results of those operations or the Fund's and the Trust's state of affairs in future financial years.

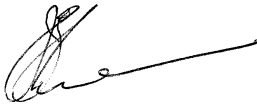
DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Abacus Hospitality Limited and Abacus Funds Management 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 Fund's and the Trust's consolidated entity's financial position as at 30 June 2011 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 2(b); and
- c. there are reasonable grounds to believe that the Fund and the Trust will be able to pay their debts as and when they become due and payable.

On behalf of the Board



John Thame
Chairman
Sydney, 15 September 2011



Frank Wolf
Managing Director

Independent auditor's report to security holders of Abacus Hospitality Fund

Abacus Hospitality Fund (the "Fund") comprises Abacus Hospitality Limited (the "Company") and the entities it controlled at the year's end or from time to time during the financial year and Abacus Hospitality Trust (the "Trust") and the entities it controlled at the year's end or from time to time during the financial year.

Report on the Financial Report

We have audited the accompanying financial report of Abacus Hospitality Fund, which comprises the consolidated statements of financial position as at 30 June 2011, and the consolidated income statements, consolidated statements of other comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Fund.

Directors' Responsibility for the Financial Report

The directors of the Company and the directors of Abacus Funds Management Limited as Responsible Entity for the Trust (collectively referred to as "the Directors") 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

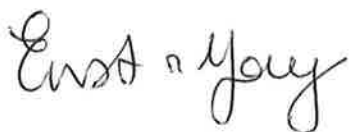
Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company and the Responsible Entity a written Auditor's Independence Declaration, a copy of which follows the director's report.

Auditor's Opinion

In our opinion:

- a. the financial report of Abacus Hospitality Fund is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the Fund and the Trust's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in note 2(b).

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'K. Zdrilic'.

K. Zdrilic
Partner
Sydney
15 September 2011