

HALF YEAR FINANCIAL REPORT

31 December 2012

Directory

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Directors of Responsible Entity and Abacus Hospitality Limited:

John Thame, Chairman
 Frank Wolf, Managing Director
 William Bartlett
 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
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It is recommended that this Half-Year Financial Report should be read in conjunction with the Annual Financial Report of Abacus Hospitality Fund and Abacus Hospitality Trust as at 30 June 2012. It is also 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

31 December 2012

The Directors of Abacus Funds Management Limited ("AFML"), the responsible entity of the Abacus Hospitality Trust ("AHT" or the "Trust") and Abacus Hospitality Limited ("AHL" or the "Company") collectively known as the Abacus Hospitality Fund ("AHF" or the "Fund") submit their report together with the financial reports for AHF and AHT for the half-year ended 31 December 2012 with the independent review report thereon.

The consolidated financial reports of AHF for the half-year ended 31 December 2012 comprise the consolidated financial reports of AHL and its controlled entities and AHT and its controlled entities.

DIRECTORS

The Directors of AHL and AFML in office during the half year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

John Thame	Chairman (Non-executive)
Frank Wolf	Managing Director
William Bartlett	Non-executive Director
David Bastian	Non-executive Director (retired 14 th November 2012)
Malcolm Irving	Non-executive Director
Len Lloyd	Non-executive Director
Myra Salkinder	Non-executive Director

PRINCIPAL ACTIVITIES

The principal activity of the Fund and the Trust during the period ended 31 December 2012 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 Fund incurred a net loss of \$5.7 million for the half-year ended 31 December 2012 (December 2011: \$6.7 million loss). The major contributors to the loss were adverse fair value movements of \$1.3 million in the interest rate swap book which is used to fix the cost of borrowings with the net revenue earned by the Fund's hotel portfolio and an adverse fair value movement of \$1.7 million in the value of the hotel portfolio (property, plant and equipment).

The hospitality industry, particularly in Queensland, has been affected by the high value of the Australian dollar, reduced domestic and inbound tourism demand and reduced business expenditure on hotel services.

DIRECTORS' REPORT

31 December 2012

REVIEW AND RESULTS OF OPERATIONS (continued)

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.

As at the date of this report, the Fund holds a portfolio of 4 hotels comprising 1054 rooms (December 2012: 5 hotels comprising 1106 rooms). During the period the hotel in the ACT named Diplomat was sold for \$13.2m. The net loss on revaluations (properties and investments) was \$5.0m with \$1.7m in the Income Statement and \$3.3m in Asset Revaluation Reserve as compared with net gain of \$2.4m in the corresponding prior period. The weighted average cap rate was 9.48%.

The Fund's gearing was reduced during the period to 35.0% (June 2012: 39.1%). The impact of both fair value adjustments and the Fund's performance on its financial condition were as follows:

	31 Dec 2012	30 Jun 2012
Total assets (\$ '000)	164,460	179,517
Gearing (%) ¹	35.04	39.1
Net assets/(deficiency) (\$ '000)	(23,509)	(12,869)
Securities on issue ('000)	49,039	49,039

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

DISTRIBUTIONS

The December quarterly distribution of 1.125 cents per stapled security was paid on 07 February 2013. Distributions are paid on a quarterly basis.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

ROUNDING

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

AUDITORS INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, and such declaration is shown on page 4.

Signed in accordance with a resolution of the directors.



John Thame
Chairman

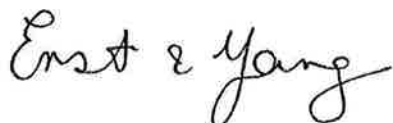


Frank Wolf
Managing Director

Sydney, 26 February 2013

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

In relation to our review 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 half-year ended 31 December 2012, 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
26 February 2013

CONSOLIDATED INCOME STATEMENT
HALF-YEAR ENDED 31 DECEMBER 2012

		AHF	AHF	AHT	AHT
		Consolidated	Consolidated	Consolidated	Consolidated
		31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	Notes	\$'000	\$'000	\$'000	\$'000
REVENUE					
Rental income		315	663	5,400	6,143
Hotel income	3	25,688	26,592	-	-
Finance income		139	184	62	86
Total Revenue		26,142	27,439	5,462	6,229
Other income		241	344	244	344
Total Revenue and Other Income		26,383	27,783	5,706	6,573
Property expenses & outgoings		(292)	(421)	(103)	(171)
Employee benefits expense		(10,506)	(11,156)	-	-
Other hotel expenses		(7,902)	(7,449)	-	-
Depreciation and amortisation expense		(2,022)	(1,996)	-	-
Finance costs	4	(6,841)	(6,841)	(6,841)	(6,841)
Net change in fair value of hotel investment property derecognised		(209)	-	(209)	-
Net change in fair value of financial instruments held at balance date		(1,338)	(6,464)	(1,338)	(6,464)
Net change in fair value of hotel property, plant and equipment		(1,737)	141	-	-
Net change in fair value of investment properties		-	761	(6,476)	933
Administrative and other expenses		(810)	(877)	(810)	(875)
PROFIT/(LOSS) BEFORE TAX		(5,274)	(6,519)	(10,071)	(6,845)
Income tax expense		(410)	(223)	-	-
PROFIT/(LOSS) AFTER TAX		(5,684)	(6,742)	(10,071)	(6,845)
Net profit / (loss) attributable to:					
AHL members		1,077	1,600	-	-
AHT members		(6,761)	(8,342)	(10,071)	(6,845)
NET PROFIT / (LOSS) AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE FUND		(5,684)	(6,742)	(10,071)	(6,845)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
HALF-YEAR ENDED 31 DECEMBER 2012

	AHF	AHF	AHT	AHT
	Consolidated	Consolidated	Consolidated	Consolidated
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	\$'000	\$'000	\$'000	\$'000
NET PROFIT / (LOSS) AFTER TAX	(5,684)	(6,742)	(10,071)	(6,845)
OTHER COMPREHENSIVE INCOME				
<i>Items that will not be reclassified subsequently to the income statement</i>				
Revaluation of assets, net of tax	(3,310)	1,497	-	-
<i>Items that may be reclassified subsequently to the income statement</i>				
Foreign exchange translation adjustments, net of tax	13	(351)	(9)	(328)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	(8,981)	(5,596)	(10,080)	(7,173)
Total comprehensive income attributable to: members of the Fund				
Equity holders of the parent entity (AHL)	1,099	1,600	-	-
members of other stapled entities				
Non-Controlling interest - Abacus Hospitality Trust	(10,080)	(7,196)	(10,080)	(7,173)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	(8,981)	(5,596)	(10,080)	(7,173)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

		AHF	AHF	AHT	AHT
		Consolidated	Consolidated	Consolidated	Consolidated
		31 Dec 12	30 Jun 12	31 Dec 12	30 Jun 12
	Notes	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash and cash equivalents		13,686	9,990	7,951	6,208
Trade and other receivables		3,801	3,238	2,413	4,049
Hotel Investment property held for sale		-	13,250	-	13,250
Inventory		465	434	-	-
Other		870	415	103	24
TOTAL CURRENT ASSETS		18,822	27,327	10,467	23,531
NON-CURRENT ASSETS					
Hotel Investment properties	7	-	-	136,864	142,803
Hotel property, plant and equipment	6	142,110	148,456	-	-
Related party receivables		-	-	12,154	10,695
Deferred tax assets		3,528	3,734	-	-
TOTAL NON-CURRENT ASSETS		145,638	152,190	149,018	153,498
TOTAL ASSETS		164,460	179,517	159,485	177,029
CURRENT LIABILITIES					
Trade and other payables		8,711	6,895	2,014	1,610
Provisions		566	566	-	-
Interest-bearing loans and borrowings	8(a)	-	8,865	-	8,865
Distribution payables	5(b)	552	-	552	-
TOTAL CURRENT LIABILITIES		9,829	16,326	2,566	10,475
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	8(b)	161,369	158,104	161,369	158,104
Derivatives at fair value		15,548	16,709	15,548	16,709
Deferred tax liabilities		202	229	-	-
Provisions		1,021	1,018	-	-
TOTAL NON-CURRENT LIABILITIES		178,140	176,060	176,917	174,813
TOTAL LIABILITIES		187,969	192,386	179,483	185,288
NET ASSETS / (LIABILITIES)		(23,509)	(12,869)	(19,998)	(8,259)
TOTAL EQUITY		(23,509)	(12,869)	(19,998)	(8,259)

ABACUS HOSPITALITY FUND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued) AS AT 31 DECEMBER 2012

		AHF	AHF	AHT	AHT
	Notes	Consolidated 31 Dec 2012 \$'000	Consolidated 30 Jun 2012 \$'000	Consolidated 31 Dec 2012 \$'000	Consolidated 30 Jun 2012 \$'000
Equity attributable to members of AHL:					
Contributed equity		2,459	2,459	-	-
Reserves		78	57	-	-
Accumulated losses		(6,048)	(7,126)	-	-
Total equity attributable to members of AHL:		(3,511)	(4,610)	-	-
Equity attributable to unitholders of AHT:					
Contributed equity		43,152	43,152	43,152	43,152
Reserves		2,992	6,310	2,992	181
Accumulated losses		(66,142)	(57,721)	(66,142)	(51,592)
Total equity attributable to unitholders of AHT:		(19,998)	(8,259)	(19,998)	(8,259)
TOTAL EQUITY		(23,509)	(12,869)	(19,998)	(8,259)
EQUITY					
Contributed equity	9	45,611	45,611	43,152	43,152
Reserves		3,070	6,367	172	181
Accumulated losses		(72,190)	(64,847)	(63,322)	(51,592)
TOTAL EQUITY		(23,509)	(12,869)	(19,998)	(8,259)

ABACUS HOSPITALITY FUND

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY HALF-YEAR ENDED 31 DECEMBER 2012

Consolidated AHF - 2012	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 2012	45,611	6,127	240	(64,847)	(12,869)
Other comprehensive income / (loss)	-	(3,310)	13	-	(3,297)
Net loss for the period	-	-	-	(5,684)	(5,684)
Total comprehensive income/(loss) for the period	-	(3,310)	13	(5,684)	(8,981)
Distribution to security holders	-	-	-	(1,659)	(1,659)
At 31 December 2012	45,611	2,817	253	(72,190)	(23,509)

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 2011	45,611	1,281	297	(52,849)	(5,660)
Other comprehensive income / (loss)	-	1,497	(351)	-	1,146
Net profit/(loss) for the period	-	-	-	(6,742)	(6,742)
Total comprehensive income/(loss) for the period	-	1,497	(351)	(6,742)	(5,596)
Distribution to security holders	-	-	-	(1,653)	(1,653)
At 31 December 2011	45,611	2,778	(54)	(61,244)	(12,909)

ABACUS HOSPITALITY FUND

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued) HALF-YEAR ENDED 31 DECEMBER 2012

Consolidated AHT - 2012	Attributable to the unit holder			
	Issued capital \$'000	Foreign currency translation \$'000	Retained earnings \$'000	Total Equity \$'000
CONSOLIDATED				
At 1 July 2012	43,152	181	(51,592)	(8,259)
Other comprehensive (loss)	-	(9)	-	(9)
Net loss for the period	-	-	(10,071)	(10,071)
Total comprehensive (loss) for the period	-	(9)	(10,071)	(10,080)
Distribution to unitholders	-	-	(1,659)	(1,659)
At 31 December 2012	43,152	172	(63,322)	(19,998)

Consolidated AHT - 2011	Attributable to the unit holder			
	Issued capital \$'000	Foreign currency translation \$'000	Retained earnings \$'000	Total Equity \$'000
CONSOLIDATED				
At 1 July 2011	43,152	241	(43,954)	(561)
Other comprehensive income	-	(328)	-	(328)
Net profit for the period	-	-	(6,845)	(6,845)
Total comprehensive income for the period	-	(328)	(6,845)	(7,173)
Distribution to unitholders	-	-	(1,653)	(1,653)
At 31 December 2011	43,152	(87)	(52,452)	(9,387)

CONSOLIDATED STATEMENT OF CASH FLOW
HALF-YEAR ENDED 31 DECEMBER 2012

	AHF	AHF	AHT	AHT
	Consolidated	Consolidated	Consolidated	Consolidated
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Income receipts	25,495	27,963	6,377	8,489
Interest received	139	184	62	86
Income tax paid	(235)	-	-	-
Borrowing costs paid	(2,070)	(2,551)	(2,699)	(2,551)
Operating payments	(18,683)	(22,302)	251	(3,955)
NET CASH FLOWS FROM OPERATING ACTIVITIES	4,646	3,294	3,991	2,069
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale and settlement of investments and funds repaid	12,974	-	-	-
Purchase of property, plant and equipment	(356)	(551)	(191)	(180)
Disposal of property, plant and equipment	-	(2)	12,974	-
Repayment of loans by related entities	-	-	(1,447)	-
Funds advanced to related party	-	-	-	(1,028)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	12,618	(553)	11,336	(1,208)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	2,499	-	2,499	-
Repayment of borrowings	(14,999)	-	(14,999)	-
Distributions paid	(1,108)	(1,102)	(1,108)	(1,102)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES	(13,608)	(1,102)	(13,608)	(1,102)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	3,656	1,639	1,720	(241)
Net foreign exchange differences	40	(70)	23	(63)
Cash and cash equivalents at beginning of period	9,990	9,407	6,208	5,407
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13,686	10,976	7,951	5,103

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

1. FUND 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 half year ended 31 December 2012 are authorised for issue in accordance with a resolution of the Directors of Abacus Hospitality Limited ("the Company") and Abacus Funds Management Limited on 26 February 2013.

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

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

The half-year financial report should be read in conjunction with the Annual Financial Report of Abacus Hospitality Fund and Abacus Hospitality Trust for the year ended 30 June 2012. It is also recommended that the half-year financial report be considered together with any public announcements made by the Abacus Hospitality Fund during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Preparation

The half-year financial report has been prepared in accordance with the requirements of the Corporations Act 2001, AASB 134 "Interim Financial Reporting" and other mandatory professional requirements. Except as otherwise disclosed, the same accounting policies have been applied as in the last annual financial report.

For the purposes of statutory reporting the parent entity is AHL. The consolidated balance sheet and consolidated income statement comprises the financial position and performance of AHL and its controlled entities and AHT and its controlled entities, collectively known as AHF.

The half-year financial report has been prepared on a historical cost basis, except for investment properties, property 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 half year financial report has been prepared in accordance with ASIC Class Order 05/642 which allows issuers of stapled securities to include their financial statements and the consolidated or combined financial statements of the stapled group in adjacent columns in one financial report.

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 applies.

Net asset deficiency/Net current liability

At 31 December 2012, AHF and AHT have a net asset deficiency of \$23.5 m and \$20.0m 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policy

The following amending Standards have been adopted from 1 July 2012. Adoption of these Standards did not have any effect on the financial position, performance or accounting policies of the Fund and the Trust:

AASB 2010-8 Deferred Tax on Investment Properties: The amendment addresses the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on the basis that the carrying amount will be recoverable through sale. This amendment will have no impact on the Fund and the Trust as all of the investment properties are held within the Trust.

AASB2011-9 Presentation of Other Comprehensive Income: This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.

3. REVENUE

	AHF Consolidated 31 Dec 2012 \$'000	AHF Consolidated 31 Dec 2011 \$'000	AHT Consolidated 31 Dec 2012 \$'000	AHT Consolidated 31 Dec 2011 \$'000
Hotel income				
Gross hotel revenue	29,687	31,124	-	-
Less: Cost of sales	(3,999)	(4,532)	-	-
Total hotel income	25,688	26,592	-	-

4. EXPENSES

	AHF Consolidated 31 Dec 2012 \$'000	AHF Consolidated 31 Dec 2011 \$'000	AHT Consolidated 31 Dec 2012 \$'000	AHT Consolidated 31 Dec 2011 \$'000
Finance costs				
Interest on loans	2,699	2,872	2,699	2,872
Interest on Abacus Working Capital Facility	4,025	3,851	4,025	3,851
Amortisation of finance costs	117	118	117	118
Total finance costs	6,841	6,841	6,841	6,841

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

5. DISTRIBUTIONS PAID AND PAYABLE

	AHF Consolidated 31 Dec 2012 \$'000	AHF Consolidated 31 Dec 2011 \$'000	AHT Consolidated 31 Dec 2012 \$'000	AHT Consolidated 31 Dec 2011 \$'000
(a) Distributions paid during the period				
Jun 2012 quarter: 1.125 cents per security (2011: 1.125 cents)	552	552	552	552
Sept 2012 quarter: 1.125 cents per security (2011: 1.125 cents)	555	550	555	550
	1,107	1,102	1,107	1,102
(b) Distributions proposed and recognised as a liability				
Dec 2012 quarter: 1.125 cents per security (2011: 1.125 cents)	552	551	552	551
Total distributions paid and proposed 31 Dec 2012	1,659	1,653	1,659	1,653

6. HOTEL PROPERTY, PLANT AND EQUIPMENT

	AHF Consolidated 31 Dec 2012 \$'000	AHF Consolidated 30 Jun 2012 \$'000
Property		
Australasian Hotels	142,110	148,456
	142,110	148,456
Average market capitalisation rate	9.48%	9.33%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

6. HOTEL PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation

A reconciliation of the carrying amount of the hotel property, plant and equipment at the beginning and the end of the half-year is as follows:

	AHF Consolidated 31 Dec 2012 \$'000	AHF Consolidated 30 Jun 2012 \$'000
Land and buildings		
At 1 July, net of accumulated depreciation	134,875	127,243
Additions	191	190
Revaluations	(5,047)	8,140
Effect of movements in foreign exchange	350	304
Depreciation charge for the year	(764)	(1,002)
At 31 December, net of accumulated depreciation	129,605	134,875
Cost or fair value	142,610	147,116
Accumulated depreciation	(13,005)	(12,241)
Net carrying amount at end of period	129,605	134,875
Plant and equipment		
At 1 July, net of accumulated depreciation	13,581	15,844
Additions	166	858
Effect of movements in foreign exchange	1	10
Depreciation charge for the year	(1,243)	(3,131)
At 31 December, net of accumulated depreciation	12,505	13,581
Cost or fair value	31,154	30,939
Accumulated depreciation	(18,649)	(17,358)
Net carrying amount at end of period	12,505	13,581
Total net carrying amount of Property, Plant & Equipment	142,110	148,456

If property, plant and equipment was carried under the cost model, the carrying amount would be \$137.1m.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

6. HOTEL PROPERTY, PLANT AND EQUIPMENT(continued)

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

During the period ended 31 December 2012, 50% of the number of properties in the portfolio was subject to external valuations, the remaining 50% was subject to internal valuation.

During the half-year the Directors approved a revised valuation policy for the Fund whereby all assets must be independently valued at least every two years (previously annually) unless bank facility agreements require a more frequent valuation. 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 9.48% (June 2012: 9.33%).
- The current weighted average occupancy rate for the hotel properties is 75% (June 2012: 72%).

The independent and director valuations are based on common valuation methodologies including capitalisation and discounted cash flow approaches, which have regard to recent market sales evidence. Accordingly, the directors' valuations at 31 December 2012 have regard 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

31 DECEMBER 2012

7. HOTEL INVESTMENT PROPERTIES

Reconciliation

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

	AHF Consolidated 31 Dec 2012 \$'000	AHF Consolidated 30 Jun 2012 \$'000	AHT Consolidated 31 Dec 2012 \$'000	AHT Consolidated 30 Jun 2012 \$'000
Carrying amount at beginning of the financial period	-	12,500	142,803	149,608
Straight lining rental asset	-	(23)	-	(23)
Additions and capital expenditure	-	-	191	222
Fair value adjustments for properties held at balance date	-	773	(6,476)	5,943
Effect of movements in foreign exchange	-	-	346	303
Property transferred to held for sale	-	(13,250)	-	(13,250)
Carrying amount at end of the financial period	-	-	136,864	142,803
Average market capitalisation rate	-	9.25%	9.48%	9.32%

50% of the Trust property portfolio was subject to external valuation, with the remaining 50% subject to internal valuation. On the 9 October 2012 the Diplomat Hotel was sold.

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 at least every two years unless bank facility agreements require a more frequent valuation. 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 9.48% (2012: 9.25%)
- The current occupancy rate for the AHT hotel investment property is 75.0% (2012: 72.1%).

The independent and director valuations are based on common valuation methodologies including capitalisation and discounted cash flow approaches, which have regard to recent market sales evidence. Accordingly, the directors' valuations at 31 December 2012 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

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8. INTEREST BEARING LOANS AND BORROWINGS

	AHF Consolidated 31 Dec 12 \$'000	AHF Consolidated 30 Jun 12 \$'000	AHT Consolidated 31 Dec 12 \$'000	AHT Consolidated 30 Jun 12 \$'000
(a) Current				
Loans from related parties ⁽⁴⁾⁽⁵⁾	-	8,865	-	8,865
	-	8,865	-	8,865
(b) Non-current				
Bank loans - A\$ ⁽¹⁾⁽³⁾	36,740	49,240	36,740	49,240
Bank loans - A\$ value of NZ\$ denominated loan ⁽²⁾⁽³⁾	20,279	20,020	20,279	20,020
Loans from related parties ⁽⁴⁾⁽⁵⁾	78,406	69,682	78,406	69,682
Loans from other parties ⁽⁶⁾	26,296	19,632	26,296	19,632
Less: Unamortised borrowing costs	(352)	(470)	(352)	(470)
	161,369	158,104	161,369	158,104
(c) Maturity profile of current and non-current interest bearing loans				
Due within one year	-	8,865	-	8,865
Due within two to five years	161,721	158,574	161,721	158,574
	161,721	167,439	161,721	167,439

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 6 and note 7.

(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 6. 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 1.5 years.

(3) AHF's weighted average interest rate as at 31 December 2012 was 8.6% (June 2012:8.1%). Line fees on undrawn facilities contributed to 0.33% of the weighted average interest rate at 31 December 2012 (June 2012: 0.18%). AHF's weighted average interest rate excluding the undrawn facilities line fees as at 31 December 2012 was 8.23% (June 2012: 7.9%).

(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%. The loan matures in March 2016 and has remaining term to maturity of 3.2 years. This loan ranks equally with other unitholders upon liquidation of AHF to the extent of a deficit/shortfall to issue price.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

8. INTEREST BEARING LOANS AND BORROWINGS (continued)

(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 1.6 years. The interest rate on the borrowing was BBSY+3.25% p.a for the year.

(6) Loan from other parties is a fixed interest rate loan of 8% with the loan maturing in March 2016 and has a remaining term to maturity of 3.2 years.

(d) Financing facilities available

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

	AHF Consolidated 31 Dec 12 \$'000	AHF Consolidated 30 Jun 12 \$'000	AHT Consolidated 31 Dec 12 \$'000	AHT Consolidated 30 Jun 12 \$'000
Total facilities - bank loans	79,000	78,646	79,000	78,646
Facilities used at reporting date - bank loans	(57,019)	(69,260)	(57,019)	(69,260)
Facilities unused at reporting date - bank loans	21,981	9,386	21,981	9,386

(e) Assets pledged as security

	AHF Consolidated 31 Dec 12 \$'000	AHF Consolidated 30 Jun 12 \$'000	AHT Consolidated 31 Dec 12 \$'000	AHT Consolidated 30 Jun 12 \$'000
Non-current				
<i>First mortgage</i>				
Property, plant and equipment	142,110	148,456	136,864	142,803
Investment properties	-	13,250	-	13,250
Total assets pledged as security	142,110	161,706	136,864	156,053

(f) Defaults and breaches

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

9. CONTRIBUTED EQUITY

	AHF Consolidated 31 Dec 12 \$'000	AHF Consolidated 30 Jun 12 \$'000	AHT Consolidated 31 Dec 12 \$'000	AHT Consolidated 30 Jun 12 \$'000
(a) Issued stapled securities				
Stapled 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 Stapled securities		AHT Issued units	
	Number '000	Value \$'000	Number '000	Value \$'000
At 1 July 2012	49,039	45,611	49,039	43,152
Securities on issue at 31 December 2012	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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

10. 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 cash flows 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).

The following strategies are available to the Group to manage its capital: 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.

Details of AHF's and AHT's banking facilities at 31 December 2012 are as follows:

Covenant	Measure	Key details
Nature of facilities	Secured, non recourse	The Fund and the Trust have no unsecured facilities
LVR	55%	Drawn 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).

11.COMMITMENTS AND CONTINGENCIES

There are no contingent liabilities referable to AHF and AHT at 31 December 2012.

12. EVENTS AFTER BALANCE SHEET DATE

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

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 Fund and the Trust and their consolidated entities 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 financial position as at 31 December 2012 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. 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. The Fund and the Trust have received an undertaking of support from AGHL.

On behalf of the Board



John Thame
Chairman

Sydney, 26 February 2013



Frank Wolf
Managing Director

To the stapled security holders of Abacus Hospitality Limited and Abacus Hospitality Trust

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Abacus Hospitality Fund, which comprises the consolidated statements of financial position as at 31 December 2012, the consolidated income statements, the consolidated statements of other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Fund.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the financial positions of the Fund and Trust as at 31 December 2012 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Fund and the Trust and the entities they controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

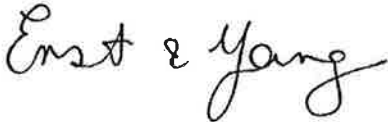
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Company and the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Abacus Hospitality Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the financial positions of the Fund and Trust as at 31 December 2012 and of their performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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
26 February 2013