

HALF YEAR FINANCIAL REPORT

31 December 2014

Directory

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Custodian:

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

Auditor (Financial and Compliance Plan):

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

Directors of Responsible Entity and Abacus Hospitality Limited:

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

Share Registry:

Boardroom Pty Limited
 Level 7, 207 Kent Street
 Sydney, NSW 2000
 Tel: 1300 737 760
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Company Secretary:

Ellis Varejes

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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 2014. 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 2014**

The Directors of Abacus Funds Management Limited ("AFML"), the responsible entity of the Abacus Hospitality Trust ("AHT" or the "Trust") and the Directors of 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 2014 with the independent review report thereon.

The consolidated financial reports of AHF for the half-year ended 31 December 2014 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
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 2014 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 with 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 \$3.1 million for the half-year ended 31 December 2014 (December 2013: \$1 million loss).

DIRECTORS' REPORT

31 December 2014

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.

At the end of the period, the Fund held a portfolio of 4 hotels comprising 1054 rooms (December 2013: 4 hotels comprising 1054 rooms). In December the Fund exchanged a contract to sell the Chateau on the Park hotel (192 rooms) in Christchurch for NZ\$35m which settled in January 2015. The net loss on revaluations (properties and investments) was \$2.8m as compared with net loss of \$1.0m in the corresponding prior period. The weighted average cap rate was 9.32%.

The Fund's gearing was reduced during the period to 43.8% (June 2014: 44%). The financial condition which was impacted by both fair value adjustments and the Fund's performance is as follows:

	31 Dec 14	30 Jun 14
Total assets (\$ '000)	163,061	162,878
Gearing (%)¹	43.8	44.0
Net assets/(deficiency) (\$ '000)	(28,852)	(25,353)
Securities on issue ('000)	49,039	49,039

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

DISTRIBUTIONS

The December quarterly distribution of 0.5 cents per stapled security was paid on 6 February 2015. 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 Fund and the Trust 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, 18 February 2015

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 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Kathy Parsons
Partner
18 February 2015

CONSOLIDATED INCOME STATEMENT
HALF-YEAR ENDED 31 DECEMBER 2014

		AHF	AHF	AHT	AHT
		Consolidated	Consolidated	Consolidated	Consolidated
		31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	Notes	\$'000	\$'000	\$'000	\$'000
REVENUE					
Rental income		-	-	5,425	5,229
Hotel income		32,743	31,642	-	-
Finance income		76	109	27	48
Total Revenue		32,819	31,751	5,452	5,277
Other income	3	3,325	2,504	3,325	2,504
Total Revenue and Other Income		36,144	34,255	8,777	7,781
Cost of sales		(4,267)	(4,232)	-	-
Property expenses & outgoings		(238)	(263)	(103)	(103)
Employee benefits expense		(12,128)	(11,571)	-	-
Other hotel expenses		(8,692)	(8,093)	-	-
Depreciation and amortisation expense		(1,960)	(1,932)	-	-
Finance costs	4	(6,597)	(6,835)	(6,597)	(6,835)
Net change in fair value of financial instruments held at balance date		(1,172)	61	(1,172)	61
Net change in fair value of hotel property, plant and equipment		(2,831)	(1,007)	-	-
Net change in fair value of investment properties		-	-	(4,243)	(2,506)
Administrative and other expenses		(801)	(808)	(770)	(804)
LOSS BEFORE TAX		(2,542)	(425)	(4,108)	(2,406)
Income tax expense		(543)	(582)	-	-
LOSS AFTER TAX		(3,085)	(1,007)	(4,108)	(2,406)
Net profit / (loss) attributable to:					
AHL members		1,023	1,335	-	-
AHT members		(4,108)	(2,342)	(4,108)	(2,406)
NET LOSS AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE FUND		(3,085)	(1,007)	(4,108)	(2,406)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
HALF-YEAR ENDED 31 DECEMBER 2014

	AHF	AHF	AHT	AHT
	Consolidated	Consolidated	Consolidated	Consolidated
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	\$'000	\$'000	\$'000	\$'000
NET LOSS AFTER TAX	(3,085)	(1,007)	(4,108)	(2,406)
OTHER COMPREHENSIVE INCOME				
<i>Items that will not be reclassified subsequently to the income statement</i>				
Revaluation of assets, net of tax	-	(64)	-	-
<i>Items that may be reclassified subsequently to the income statement</i>				
Foreign exchange translation adjustments, net of tax	321	486	295	478
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(2,764)	(585)	(3,813)	(1,928)
Total comprehensive income attributable to: members of the Fund				
Equity holders of the parent entity (AHL)	1,049	1,343	-	-
Members of other stapled entities:				
Non-Controlling interest - Abacus Hospitality Trust	(3,813)	(1,928)	(3,813)	(1,928)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(2,764)	(585)	(3,813)	(1,928)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

		AHF	AHF	AHT	AHT
		Consolidated	Consolidated	Consolidated	Consolidated
		31 Dec 14	30 Jun 14	31 Dec 14	30 Jun 14
	Notes	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash and cash equivalents		8,208	6,467	2,275	2,383
Trade and other receivables		3,028	1,907	1,096	1,247
Inventory		488	505	-	-
Other		603	545	103	219
Hotel Investment properties held for sale	7	-	-	33,079	-
Hotel property, plant and equipment held for sale	6	33,454	-	-	-
TOTAL CURRENT ASSETS		45,781	9,424	36,553	3,849
NON-CURRENT ASSETS					
Hotel Investment properties	7	-	-	109,444	145,191
Hotel property, plant and equipment	6	114,530	150,307	-	-
Related party receivables		-	-	12,339	11,378
Deferred tax assets		2,750	3,147	-	-
TOTAL NON-CURRENT ASSETS		117,280	153,454	121,783	156,569
TOTAL ASSETS		163,061	162,878	158,336	160,418
CURRENT LIABILITIES					
Trade and other payables		7,189	6,044	523	423
Provisions		703	675	-	-
Interest-bearing loans and borrowings	8(a)	6,246	5,919	6,246	5,919
Distribution payable	5(b)	245	-	245	-
TOTAL CURRENT LIABILITIES		14,383	12,638	7,014	6,342
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	8(b)	165,204	164,581	165,204	164,581
Derivatives at fair value		10,846	9,675	10,846	9,675
Deferred tax liabilities		221	147	-	-
Provisions		1,259	1,190	-	-
TOTAL NON-CURRENT LIABILITIES		177,530	175,593	176,050	174,256
TOTAL LIABILITIES		191,913	188,231	183,064	180,598
NET LIABILITIES		(28,852)	(25,353)	(24,728)	(20,180)
TOTAL EQUITY		(28,852)	(25,353)	(24,728)	(20,180)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2014

		AHF	AHF	AHT	AHT
		Consolidated	Consolidated	Consolidated	Consolidated
		31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014
	Notes	\$'000	\$'000	\$'000	\$'000
Equity attributable to members of AHL:					
Contributed equity		2,459	2,459	-	-
Reserves		306	280	-	-
Accumulated losses		(6,889)	(7,912)	-	-
Total equity attributable to members of AHL:		(4,124)	(5,173)	-	-
Equity attributable to unitholders of AHT:					
Contributed equity		43,152	43,152	43,152	43,152
Reserves		1,834	1,539	1,834	1,539
Accumulated losses		(69,714)	(64,871)	(69,714)	(64,871)
Total equity attributable to unitholders of AHT:		(24,728)	(20,180)	(24,728)	(20,180)
TOTAL EQUITY		(28,852)	(25,353)	(24,728)	(20,180)
EQUITY					
Contributed equity	10	45,611	45,611	43,152	43,152
Reserves		2,140	1,819	1,834	1,539
Accumulated losses		(76,603)	(72,783)	(69,714)	(64,871)
TOTAL EQUITY		(28,852)	(25,353)	(24,728)	(20,180)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
HALF YEAR ENDED 31 DECEMBER 2014

Consolidated AHF - 2014	Attributable to the stapled security holder				
	Issued capital	Asset revaluation reserve	Foreign currency translation	Retained earnings	Total Equity
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2014	45,611	-	1,819	(72,783)	(25,353)
Other comprehensive income	-	-	321	-	321
Net loss for the period	-	-	-	(3,085)	(3,085)
Total comprehensive income / (loss) for the period	-	-	321	(3,085)	(2,764)
Distribution to security holders	-	-	-	(735)	(735)
At 31 December 2014	45,611	-	2,140	(76,603)	(28,852)

Consolidated AHF - 2013	Attributable to the stapled security holder				
	Issued capital	Asset revaluation reserve	Foreign currency translation	Retained earnings	Total Equity
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2013	45,611	64	1,008	(68,041)	(21,358)
Other comprehensive income / (loss)	-	(64)	486	-	422
Net loss for the period	-	-	-	(1,007)	(1,007)
Total comprehensive income / (loss) for the period	-	(64)	486	(1,007)	(585)
Distribution to security holders	-	-	-	(735)	(735)
At 31 December 2013	45,611	-	1,494	(69,783)	(22,678)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
HALF YEAR ENDED 31 DECEMBER 2014

Consolidated AHT - 2014	Attributable to the unit holder			
	Issued capital	Foreign currency translation	Retained earnings	Total Equity
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000
At 1 July 2014	43,152	1,539	(64,871)	(20,180)
Other comprehensive income	-	295	-	295
Net loss for the period	-	-	(4,108)	(4,108)
Total comprehensive income / (loss) for the period	-	295	(4,108)	(3,813)
Distribution to unitholders	-	-	(735)	(735)
At 31 December 2014	43,152	1,834	(69,714)	(24,728)

Consolidated AHT - 2013	Attributable to the unit holder			
	Issued capital	Foreign currency translation	Retained earnings	Total Equity
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000
At 1 July 2013	43,152	742	(59,836)	(15,942)
Other comprehensive income	-	478	-	478
Net loss for the period	-	-	(2,406)	(2,406)
Total comprehensive income / (loss) for the period	-	478	(2,406)	(1,928)
Distribution to unitholders	-	-	(735)	(735)
At 31 December 2013	43,152	1,220	(62,977)	(18,605)

CONSOLIDATED STATEMENT OF CASH FLOW
HALF-YEAR ENDED 31 DECEMBER 2014

	AHF	AHF	AHT	AHT
	Consolidated	Consolidated	Consolidated	Consolidated
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Income receipts	27,406	28,803	5,608	6,445
Interest received	76	110	27	47
Income tax paid	(58)	(291)	-	-
Borrowing costs paid	(2,964)	(3,702)	(2,964)	(3,701)
Operating payments	(20,843)	(20,829)	(800)	(132)
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,617	4,091	1,871	2,659
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,441)	(2,893)	(559)	(2,262)
Repayment of loans by related entities	-	-	(947)	(127)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,441)	(2,893)	(1,506)	(2,389)
CASH FLOWS FROM FINANCING ACTIVITIES				
Distributions paid	(490)	(490)	(490)	(490)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(490)	(490)	(490)	(490)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,686	708	(125)	(220)
Net foreign exchange differences	55	336	17	216
Cash and cash equivalents at beginning of period	6,467	10,972	2,383	5,602
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8,208	12,016	2,275	5,598

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER 2014****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 2014 are authorised for issue in accordance with a resolution of the Directors of Abacus Hospitality Limited ("the Company") and Abacus Funds Management Limited on 18 February 2015.

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 Annual 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 2014. 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 2014 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of preparation

The half-year general purpose financial report has been prepared in accordance with the requirements of the Corporations Act 2001, AASB 134 "Interim Financial Reporting" and other mandatory professional requirements and is a for profit entity. Except as otherwise disclosed in notes 2(b), 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 and derivative financial instruments which have been measured at fair value.

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

At 31 December 2014, AHF and AHT have a net asset deficiency of \$28.9 million and \$24.7 million 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 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policy and disclosures

The following amending Standards have been adopted from 1 July 2014. Adoption of these Standards did not have any effect on the financial position, performance or accounting policies of the Fund and the Trust:

- Amendments to Australian Accounting Standards – *Offsetting Financial Assets and Financial Liabilities* (effective 1 January 2014 / applicable for the Fund and the Trust 1 July 2014)

AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identifies in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

This amendment has had no impact on the disclosures for the Fund and the Trust.

- Annual improvements 2010 – 2012 Cycle: (effective 1 July 2014 / applicable for the Fund and the Trust 1 July 2014)

This standard sets out amendments to International Financial Reporting

Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board’s Annual Improvements process. These amendments have not yet been adopted by the AASB.

The following items are addressed by this standard:

- IFRS 2 – Clarifies the definition of ‘vesting conditions’ and ‘market condition’ and introduces the definition of ‘performance condition’ and ‘service condition’.
- IFRS 3 – Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37.
- IFRS 8 – Requires entities to disclose factors used to identify the entity’s reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments’ asset to the entity’s total assets.
- IAS 16 and IAS 38 – Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- IAS 24 – Defines a management entity providing Key Management Personal (“KMP”) services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

The Fund and the Trust will review any amendment to the standards when adopted by the AASB.

- Annual improvements 2011 – 2013 Cycle: (effective 1 July 2014 / applicable for the Fund and the Trust 1 July 2014)

This standard sets out amendments to International Financial Reporting.

Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board’s Annual Improvements process. These amendments have not yet been adopted by the AASB.

- IFRS 13 – Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.
- IAS 40 – Clarifies that judgement is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes investment property. That judgement is based on guidance in IFRS 3.

The Fund and the Trust will review any amendment to the standards when adopted by the AASB.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policy and disclosures

- Amendments to Australian Accounting Standards – Investments Entities: (effective 1 January 2014 / applicable for Group 1 July 2014) [AASB 1, AASB 3, AASB 7, AASB 10, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134, and AASB 139]

These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB3 *Business Combinations* when it obtains control of another entity.

These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through the profit or loss in its consolidated and separate financial statements.

These amendments also introduce new disclosure requirements for investment entities to AASB12 and AASB 127.

The Fund and the Trust will review any amendment to the standards when adopted by the AASB.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

3. REVENUE

	AHF Consolidated 31 Dec 2014 \$'000	AHF Consolidated 31 Dec 2013 \$'000	AHT Consolidated 31 Dec 2014 \$'000	AHT Consolidated 31 Dec 2013 \$'000
Other Income				
Foreign currency exchange gain	106	553	106	553
Debt forgiveness on the Abacus Working Capital Facility*	3,219	-	3,219	-
Sundry Income	-	1,951	-	1,951
Total hotel income	3,325	2,504	3,325	2,504

*Abacus Finance agreed to waive \$3.2m interest of the Abacus Working Capital Facility and this is no longer payable by the Fund.

4. EXPENSES

	AHF Consolidated 31 Dec 2014 \$'000	AHF Consolidated 31 Dec 2013 \$'000	AHT Consolidated 31 Dec 2014 \$'000	AHT Consolidated 31 Dec 2013 \$'000
Finance costs				
Interest on loans	2,634	2,535	2,634	2,535
Interest on Abacus Working Capital Facility	3,880	4,183	3,880	4,183
Amortisation of finance costs	83	117	83	117
Total finance costs	6,597	6,835	6,597	6,835

5. DISTRIBUTIONS PAID AND PROPOSED

	AHF Consolidated 31 Dec 2014 \$'000	AHF Consolidated 31 Dec 2013 \$'000	AHT Consolidated 31 Dec 2014 \$'000	AHT Consolidated 31 Dec 2013 \$'000
(a) Distributions paid during the period				
Jun 2014 quarter: 0.5 cents per security (2013: 0.5 cents)	245	245	245	245
Sept 2014 quarter: 0.5 cents per security (2013: 0.5 cents)	245	245	245	245
	490	490	490	490
(b) Distributions proposed and recognised as a liability				
Dec 2014 quarter: 0.5 cents per security (2013: 0.5 cents)	245	245	245	245
Total distributions paid and proposed	735	735	735	735

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

6. PROPERTY, PLANT AND EQUIPMENT

The following table is a reconciliation of the movements of property, plant and equipment classified as Level 3 in accordance with the fair value hierarchy outlined in Note 9 for the half-year ended 31 December 2014.

	AHF Consolidated 31 Dec 2014 \$'000	AHF Consolidated 30 Jun 2014 \$'000
Property		
Australasian Hotels - Current held for sale	33,454	-
Australasian Hotels - Non current	114,530	150,307
	147,984	150,307
Average market capitalisation rate	9.32%	9.57%

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 2014 \$'000	AHF Consolidated 30 Jun 2014 \$'000
Land and buildings		
At the beginning of the period, net of accumulated depreciation	139,587	133,559
Additions	521	3,068
Revaluations	(2,831)	1,248
Effect of movements in foreign exchange	1,054	2,860
Depreciation charge for the period	(567)	(1,148)
At the end of the period, net of accumulated depreciation	137,764	139,587
Cost or fair value	153,267	154,522
Accumulated depreciation	(15,503)	(14,935)
Net carrying amount at end of period	137,764	139,587
Plant and equipment		
At the beginning of the period, net of accumulated depreciation	10,720	12,061
Additions	919	1,341
Effect of movements in foreign exchange	(27)	(24)
Depreciation charge for the period	(1,392)	(2,658)
At the end of the period, net of accumulated depreciation	10,220	10,720
Cost or fair value	32,988	33,941
Accumulated depreciation	(22,768)	(23,221)
Net carrying amount at end of period	10,220	10,720
Total	147,984	150,307

If property, plant and equipment were carried under the cost model, the carrying amount would be \$150.2 million.

The hotel property, plant and equipment are carried at the directors' determination of fair value except held for sale which are measured at the lower of their carrying amount and fair value less costs to sell. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

6. PROPERTY, PLANT AND EQUIPMENT (continued)

During the period ended 31 December 2014, all properties in the portfolio were subject to internal valuation.

The independent and directors' valuations are based on common valuation methodologies and in determining fair value, the capitalisation of net income method and the discounting of future cash flows to their present values have been used which are based upon assumptions and judgment in relation to future rental income, property capitalisation rate or estimated yield. The directors' valuations at 31 December 2014 make reference to market evidence of transaction prices for similar properties and include the key assumptions outlined below on a portfolio basis. Significant increase/ (decrease) in each of these assumptions in isolation would result in a higher / (lower) fair value of the property, plant and equipment.

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 9.32% (June 2014: 9.57%).
- The current weighted average occupancy rate for the hotel properties is 76% (June 2014: 72%).

External valuations are conducted by qualified independent valuers who are appointed by the Managing Director of Abacus Property Services Pty Ltd who is also responsible for the Fund's and the Trust's internal valuation process. He is assisted by one employee who holds relevant recognised professional qualifications and is experienced in valuing the types of properties in the applicable locations.

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

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

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. All investment properties are classified as Level 3 in accordance with the fair value hierarchy outlined in Note 9:

	Held for Sale			
	AHF	AHF	AHT	AHT
	Consolidated	Consolidated	Consolidated	Consolidated
	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014
	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the financial period	-	-	-	-
Properties transferred to held for sale	-	-	33,079	-
Carrying amount at end of the financial period	-	-	33,079	-

	Non Current			
	AHF	AHF	AHT	AHT
	Consolidated	Consolidated	Consolidated	Consolidated
	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014
	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the financial period	-	-	145,191	140,594
Additions and capital expenditure	-	-	559	3,436
Fair value adjustments for properties held at balance date	-	-	(4,243)	(1,636)
Effect of movements in foreign exchange	-	-	1,016	2,797
Properties transferred to held for sale	-	-	(33,079)	-
Carrying amount at end of the financial period	-	-	109,444	145,191

Average market capitalisation rate	-	-	9.32%	9.57%
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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

7. HOTEL INVESTMENT PROPERTIES (continued)

The Trust property portfolio was subject to internal valuation.

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

The independent and directors' valuations are based on common valuation methodologies and in determining fair value, the capitalisation of net income method and the discounting of future cash flows to their present values have been used which are based upon assumptions and judgment in relation to future rental income, property capitalisation rate or estimated yield. The directors' valuations at 31 December 2014 make reference to market evidence of transaction prices for similar properties and include the key assumptions outlined below on a portfolio basis. Significant movement in each of these assumptions in isolation would result in a higher / (lower) fair value of the property, plant and equipment.

External valuations are conducted by qualified independent valuers who are appointed by the Managing Director of Abacus Property Services Pty Ltd who is also responsible for the Fund's and the Trust's internal valuation process. He is assisted by one employee who holds relevant recognised professional qualifications and is experienced in valuing the types of properties in the applicable locations.

Investment properties are independently valued on a staggered basis every two years unless the underlying financing requires a more frequent independent valuation cycle.

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

8. INTEREST BEARING LOANS AND BORROWINGS

	AHF Consolidated 31 Dec 14 \$'000	AHF Consolidated 30 Jun 14 \$'000	AHT Consolidated 31 Dec 14 \$'000	AHT Consolidated 30 Jun 14 \$'000
(a) Current				
Loans from related parties ^{4,5}	6,246	5,919	6,246	5,919
	6,246	5,919	6,246	5,919
(b) Non-current				
Bank loans - A\$ ^{1,3}	42,500	42,500	42,500	42,500
Bank loans - A\$ value of NZ\$ denominated loan ^{2,3}	24,438	23,759	24,438	23,759
Loans from related parties ^{4,5}	79,064	79,064	79,064	79,064
Loans from other parties ⁶	19,632	19,632	19,632	19,632
Less: Unamortised borrowing costs	(430)	(374)	(430)	(374)
	165,204	164,581	165,204	164,581
(c) Maturity profile of current and non-current interest bearing loans				
Due within one year	6,246	5,919	6,246	5,919
Due within two to five years	165,634	164,955	165,634	164,955
	171,880	170,874	171,880	170,874

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

8. INTEREST BEARING LOANS AND BORROWINGS (continued)

1. Bank loans – A\$ are provided by a major bank at floating interest rates. The loans are denominated in Australian dollars and mature on 30 April 2017 with a term to maturity of 2.3 years. 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 loans – NZ\$ are provided by a major bank at floating interest rates. The loans are denominated in New Zealand dollars and mature on 30 April 2017 with a term to maturity of 2.3 years. The bank loans are secured by a charge over the hotel plant and equipment as detailed in note 6.
3. AHF's weighted average interest rate as at 31 December 2014 was 8.0% (30 June 2014: 7.7%).
4. Loans from related parties are provided by Abacus Finance Pty Ltd to assist in funding the acquisition of hotels and to provide working capital. The loan matures in June 2019 and has a remaining term to maturity of 4.5 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 2017 and has a term to maturity of 2.5 years. The interest rate on the borrowing was BBSY+3.25% p.a for the period.
6. Loan from other parties is a fixed interest rate loan of 8% with the loan maturing in June 2019 and has a remaining term to maturity of 4.5 years.

(d) Financial facilities available

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

	AHF Consolidated 31 Dec 14 \$'000	AHF Consolidated 30 Jun 14 \$'000	AHT Consolidated 31 Dec 14 \$'000	AHT Consolidated 30 Jun 14 \$'000
Total facilities - bank loans	70,000	70,000	70,000	70,000
Facilities used at reporting date - bank loans	(66,938)	(66,259)	(66,938)	(66,259)
Facilities unused at reporting date - bank loans	3,062	3,741	3,062	3,741

(e) Assets pledged as security

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

	AHF Consolidated 31 Dec 14 \$'000	AHF Consolidated 30 Jun 14 \$'000	AHT Consolidated 31 Dec 14 \$'000	AHT Consolidated 30 Jun 14 \$'000
Current				
<i>First mortgage</i>				
Property, plant and equipment	33,454	-	-	-
Investment properties	-	-	33,079	-
Total assets pledged as security	33,454	-	33,079	-

	AHF Consolidated 31 Dec 14 \$'000	AHF Consolidated 30 Jun 14 \$'000	AHT Consolidated 31 Dec 14 \$'000	AHT Consolidated 30 Jun 14 \$'000
Non-current				
<i>First mortgage</i>				
Property, plant and equipment	114,530	150,307	-	-
Investment properties	-	-	109,444	145,191
Total assets pledged as security	114,530	150,307	109,444	145,191

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

8. INTEREST BEARING LOANS AND BORROWINGS (continued)

(f) Defaults and breaches

During the current and prior years, there were no defaults or breaches of any of the Fund's and the Trust's loans.

9. FINANCIAL INSTRUMENTS

Fair values

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

- Level 1** Quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2** Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3** Inputs for the asset or liability that are not based on observable market data.

31 December 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Current				
Interest bearing loans and borrowings	-	6,246	-	6,246
Total current	-	6,246	-	6,246
Non-current				
Derivative liabilities	-	10,846	-	10,846
Interest bearing loans and borrowings	-	165,204	-	165,204
Total non-current	-	176,050	-	176,050

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

30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Current				
Interest bearing loans and borrowings	-	5,919	-	5,919
Total current	-	5,919	-	5,919
Non-current				
Derivative liabilities	-	9,675	-	9,675
Interest bearing loans and borrowings	-	164,581	-	164,581
Total non-current	-	174,256	-	174,256

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

31 DECEMBER 2014

10. CONTRIBUTED EQUITY

	AHF Consolidated 31 Dec 14 \$'000	AHF Consolidated 30 Jun 14 \$'000	AHT Consolidated 31 Dec 14 \$'000	AHT Consolidated 30 Jun 14 \$'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 2014	49,039	45,611	49,039
Securities on issue at 31 December 2014	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 2014

11. CAPITAL MANAGEMENT

The Fund and Trust seek to manage their 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 their 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 may defer the payment of interest on its Working Capital Facility and/or management fees to support the distribution).

The Fund and Trust can manage their 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 their 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
Debt covenants	Compliant	Key covenants include Bank LVRs and Asset ICR

12. COMMITMENTS AND CONTINGENCIES

There are no contingent assets or liabilities at 31 December 2014 other than disclosed in this report.

13. EVENTS AFTER BALANCE SHEET DATE

Other than as disclosed in this report, 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 and the Trust's operations in future financial periods, the results of those operations of the Fund's and the Trust's state of affairs in further 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 and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including :
 - (i) giving a true and fair view of the financial position as at 31 December 2014 and the performance for the half-year ended on that date for the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



John Thame
Chairman
Sydney, 18 February 2015



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 statement of financial position as at 31 December 2014, the consolidated Income Statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the 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 the Trust as at 31 December 2014 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 the Fund and 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.

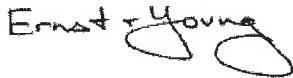
Independence

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 follows the Directors' Report.

Conclusion

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

- a) giving a true and fair view of the consolidated financial position of the Fund and Trust as at 31 December 2014 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*.



Ernst & Young



Kathy Parsons
Partner
Sydney
18 February 2015