ANNUAL FINANCIAL REPORT

30 June 2015

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
Peter Spira

Company Secretary:
Ellis Varejes

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

Share Registry:
Boardroom Pty Limited
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Level 12, 225 George St
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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 2015

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").

PRINCIPAL ACTIVITIES

The principal activity of the Fund and the Trust during the year ended 30 June 2015 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. Abacus Funds Management Limited (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 loss of $3.2 million for the year ended 30 June 2015 (2014: $3.8 million loss).

The hospitality industry, particularly in Queensland has been negatively affected by reduced tourism demand and conference business. The weakening Australian dollar in recent times has seen improvements to inbound tourism.

On 30 January 2015, the Chateau on the Park hotel in Christchurch, New Zealand was sold for NZ$35 million.

The Fund will continue with its managed sell down of assets over the medium term with the expectation that this may take some years.

As at the date of this report, the Fund holds a portfolio of 3 hotels comprising 862 rooms (2014: 4 hotels comprising 1054 rooms). The weighted average capitalisation rate was 8.81%.

The Fund's gearing decreased during the year to 37% (2014: 44%). The impact of both year-end fair value adjustments and the Fund's performance on its financial condition were as follows:

	2015	2014
Total assets ($ '000)	126,504	162,878
Gearing (%)[1]	37.0	44.0
Net assets/(deficiency) ($ '000)	(30,981)	(25,353)
Securities on issue ('000)	49,039	49,039

DIRECTORS' REPORT

30 June 2015

INDIRECT COST RATIO

The Indirect Cost Ratio is the ratio of the Trust's management costs over the Fund's average net assets[2] 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 2015 was 2.25% (2014: 2.4%).

[1] Abacus working capital facility is excluded in calculating net debt gearing ratio
[2] Abacus working capital facility is excluded in calculating average net assets.

REVIEW OF FINANCIAL CONDITION

At 30 June 2015, the bank loan facility limit was AUD $55.0 million, and drawn amounts were AUD$51.2million. $94.7 million of the existing $150 million Abacus working capital facility was drawn as at 30 June 2015 and $10 million Abacus Finance Pty Ltd loan was fully repaid during the year.

The Fund manages the cash flow effect of interest rate risk by entering into interest rate swap arrangements that are used to convert floating interest rate borrowings to fixed interest rates. At 30 June 2015, approximately $30 million or 59% of total drawn bank debt were covered by interest rate swap arrangements at an average effective fixed interest rate (including bank margin) of 7.16%. The average term to maturity of the bank debt is 1.8 years and the average term to maturity of the swaps is 2.1 years.

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 37% at 30 June 2015 (2014: 44%).

DISTRIBUTIONS

The Fund and the Trust distributions in respect of the year ended 30 June 2015 were $1 million (June 2014: $1.0 million), which is equivalent to 2.0 cents per stapled security (June 2014: 2.0 cents). This distribution includes 0.5 cents ($0.25 million) that was paid on 7th August 2015. Further details on the distributions are set out in note 10 of the financial statements.

STAPLED SECURITIES ON ISSUE

During the year no new stapled securities were issued and at 30 June 2015 there were 49.04 million stapled securities on issue (2014: 49.04 million).

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 Fund's operations in future financial periods, the results of those operations or the Fund'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 Fund.

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 2015

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.

Frank Wolf OAM, PhD, BA(Hons) Managing Director

Dr Wolf has over 25 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 $3 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.

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 is also a director of O'Connell Street Associates Pty Ltd, Macquarie University Hospital.

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.

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

Mr Bartlett is a Non-Executive Director. As a partner at Ernst & Young for 23 years, 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 Group Limited, GWA Limited, Reinsurance Group of America Inc and RGA Reinsurance Company of Australia Limited. Mr Bartlett is the Chairman of the Cerebal Palsy Foundation of Australia.

Myra Salkinder MBA, BA

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.

Peter Spira AM, B Arch (Appointed 27/05/2015)

Mr Spira is a Non-Executive Director. He has over 36 years' experience in the Australian real estate sector with Meriton Group, Australia's largest residential apartment developer. He was responsible for Meriton Group's development projects while also leading the Meriton team in researching and developing new construction and remediation systems. Mr Spira was a director of Meriton Group from 2005 until 2015. In 2006 he received the Order of Australia (AM) for services to the development industry. He is a director of Retire Australia.

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.

DIRECTORS' REPORT

30 June 2015

INFORMATION ON DIRECTORS AND OFFICERS (continued)

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.

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 6.

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	Frank Wolf
Chairman	Managing Director
Sydney, 21 August 2015	

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Building a better working world

Auditor's Independence Declaration to the Directors of Abacus Hospitality Limited and the Directors of Abacus Funds Management Limited as Responsible Entity for 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 2015, 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

Ernst & Young

Kathy Parsons
Partner
21 August 2015

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 30 JUNE 2015

	Notes	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
REVENUE					
Rental income		-	-	9,734	10,568
Hotel income		55,577	58,832	-	-
Finance income		141	205	60	91
Total Revenue		**55,718**	**59,037**	**9,794**	**10,659**
OTHER INCOME					
Net change in fair value of hotel property, plant and equipment		(74)	1,312	-	-
Other income	1	1,133	1,296	1,174	1,291
Total Revenue and Other Income		**56,777**	**61,645**	**10,968**	**11,950**
Cost of sales		(7,358)	(7,739)	-	-
Property expenses & outgoings		(476)	(506)	(206)	(206)
Other hotel expenses		(15,322)	(15,882)	-	-
Depreciation and amortisation expense	2(a)	(3,727)	(3,889)	-	-
Finance costs	2(b)	(5,929)	(10,276)	(5,929)	(10,276)
Employee benefits expense	2(c)	(21,945)	(22,930)	-	-
Net change in fair value of financial instrument held at balance date		255	(1,009)	255	(1,009)
Net change in fair value of financial instruments derecognised		(1,589)	(1,271)	(1,589)	(1,271)
Net change in fair value of hotel investment property held at balance date		-	-	(2,390)	(1,636)
Net change in fair value of investment properties derecognised		(1,548)	-	(1,421)	-
Administrative and other expenses		(1,403)	(1,613)	(1,398)	(1,606)
PROFIT/(LOSS) BEFORE TAX		**(2,265)**	**(3,470)**	**(1,710)**	**(4,054)**
Income tax expense	3(a)	(914)	(291)	(565)	-
NET PROFIT/(LOSS) AFTER TAX		**(3,179)**	**(3,761)**	**(2,275)**	**(4,054)**
Net profit / (loss) attributable to:					
AHL members		(812)	229	-	-
AHT members		(2,367)	(3,990)	(2,275)	(4,054)
NET PROFIT / (LOSS)		**(3,179)**	**(3,761)**	**(2,275)**	**(4,054)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2015

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
NET PROFIT / (LOSS) AFTER TAX	(3,179)	(3,761)	(2,275)	(4,054)
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to the income statement				
Revaluation of assets, net of tax	351	(64)	-	-
Items that may be reclassified subsequently to the income statement				
Foreign exchange translation adjustments, net of tax	(1,819)	811	(1,539)	797
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(4,647)**	**(3,014)**	**(3,814)**	**(3,257)**
Total comprehensive income/(loss) attributable to:				
Members of the parent entity (AHL)	(833)	243	-	-
Members of other stapled entity:				
Non-Controlling interest - Abacus Hospitality Trust	(3,814)	(3,257)	(3,814)	(3,257)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(4,647)**	**(3,014)**	**(3,814)**	**(3,257)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Notes	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
CURRENT ASSETS					
Inventory		358	505	-	-
Cash and cash equivalents	5	7,222	6,467	3,987	2,383
Trade and other receivables	13(a)	1,751	1,907	458	1,247
Other		346	545	-	219
TOTAL CURRENT ASSETS		**9,677**	**9,424**	**4,445**	**3,849**
NON-CURRENT ASSETS					
Hotel property, plant and equipment	4	114,030	150,307	-	-
Deferred tax assets	3(c)	2,797	3,147	4	-
Hotel Investment properties	12	-	-	108,413	145,191
Related party receivables	13(b)	-	-	10,862	11,378
TOTAL NON-CURRENT ASSETS		**116,827**	**153,454**	**119,279**	**156,569**
TOTAL ASSETS		**126,504**	**162,878**	**123,724**	**160,418**
CURRENT LIABILITIES					
Trade and other payables		7,411	6,044	473	423
Interest-bearing loans and borrowings	7(a)	5,069	5,919	5,069	5,919
Provisions		576	675	-	-
TOTAL CURRENT LIABILITIES		**13,056**	**12,638**	**5,542**	**6,342**
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	7(b)	140,559	164,581	140,559	164,581
Derivatives at fair value		2,598	9,675	2,598	9,675
Deferred tax liabilities	3(c)	202	147	-	-
Provisions		1,070	1,190	-	-
TOTAL NON-CURRENT LIABILITIES		**144,429**	**175,593**	**143,157**	**174,256**
TOTAL LIABILITIES		**157,485**	**188,231**	**148,699**	**180,598**
NET LIABILITIES		**(30,981)**	**(25,353)**	**(24,975)**	**(20,180)**
TOTAL EQUITY		**(30,981)**	**(25,353)**	**(24,975)**	**(20,180)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 30 JUNE 2015

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
Equity attributable to members of AHL:				
Contributed equity	2,459	2,459	-	-
Reserves	-	280	-	-
Accumulated losses	(8,465)	(7,912)	-	-
Total equity attributable to members of AHL:	**(6,006)**	**(5,173)**	-	-
Equity attributable to members of AHT:				
Contributed equity	43,152	43,152	43,152	43,152
Reserves	351	1,539	-	1,539
Accumulated losses	(68,478)	(64,871)	(68,127)	(64,871)
Total equity attributable to unitholders of AHT:	**(24,975)**	**(20,180)**	**(24,975)**	**(20,180)**
TOTAL EQUITY	**(30,981)**	**(25,353)**	**(24,975)**	**(20,180)**

	Notes	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
EQUITY					
Contributed equity	9	45,611	45,611	43,152	43,152
Reserves		351	1,819		1,539
Accumulated losses		(76,943)	(72,783)	(68,127)	(64,871)
TOTAL EQUITY		**(30,981)**	**(25,353)**	**(24,975)**	**(20,180)**

CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED 30 JUNE 2015

	Notes	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Income receipts		48,785	54,064	11,701	11,367
Interest received		141	205	60	91
Income tax paid		(564)	-	(625)	-
Borrowing cost paid		(6,476)	(20,159)	(6,476)	(20,158)
Operating payments		(37,054)	(43,015)	(1,461)	(1,862)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	5	**4,832**	**(8,905)**	**3,199**	**(10,562)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(3,015)	(4,409)	(1,071)	(3,437)
Disposal of investment property		32,699	-	32,709	-
Repayment of loans by related entities		-	-	554	2,089
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**29,684**	**(4,409)**	**32,192**	**(1,348)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(41,504)	(64,824)	(41,504)	(64,824)
Proceeds from borrowings		8,733	74,259	8,733	74,259
Distributions paid		(981)	(981)	(981)	(981)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**(33,752)**	**8,454**	**(33,752)**	**8,454**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		764	(4,860)	1,639	(3,456)
Net foreign exchange differences		(9)	355	(35)	237
Cash and cash equivalents at beginning of year		6,467	10,972	2,383	5,602
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**7,222**	**6,467**	**3,987**	**2,383**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2015

Consolidated AHF - 2015		Attributable to the stapled security holder			
CONSOLIDATED	Issued capital $'000	Asset revaluation reserve $'000	Foreign currency translation $'000	Retained earnings $'000	Total Equity $'000
At 1 July 2014	**45,611**	**-**	**1,819**	**(72,783)**	**(25,353)**
Other comprehensive income / (loss)	-	351	(1,819)	-	(1,468)
Net loss for the year	-	-	-	(3,179)	(3,179)
Total comprehensive income / (expense) for the year	**-**	**351**	**(1,819)**	**(3,179)**	**(4,647)**
Distribution to security holders	-	-	-	(981)	(981)
At 30 June 2015	**45,611**	**351**	**-**	**(76,943)**	**(30,981)**

Consolidated AHF - 2014		Attributable to the stapled security holder			
CONSOLIDATED	Issued capital $'000	Asset revaluation reserve $'000	Foreign currency translation $'000	Retained earnings $'000	Total Equity $'000
At 1 July 2013	**45,611**	**64**	**1,008**	**(68,041)**	**(21,358)**
Other comprehensive income / (loss)	-	(64)	811	-	747
Net loss for the year	-	-	-	(3,761)	(3,761)
Total comprehensive income / (expense) for the year	**-**	**(64)**	**811**	**(3,761)**	**(3,014)**
Distribution to security holders	-	-	-	(981)	(981)
At 30 June 2014	**45,611**	**-**	**1,819**	**(72,783)**	**(25,353)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2015

Consolidated AHT - 2015		**Attributable to the unit holder**		
CONSOLIDATED	**Issued capital $'000**	**Foreign currency translation $'000**	**Retained earnings $'000**	**Total Equity $'000**
At 1 July 2014	**43,152**	**1,539**	**(64,871)**	**(20,180)**
Other comprehensive income / (loss)	-	(1,539)	-	(1,539)
Net loss for the year	-	-	(2,275)	(2,275)
Total comprehensive expense for the year	**-**	**(1,539)**	**(2,275)**	**(3,814)**
Distribution to unit holders	-	-	(981)	(981)
At 30 June 2015	**43,152**	**-**	**(68,127)**	**(24,975)**

Consolidated AHT - 2014		**Attributable to the unit holder**		
CONSOLIDATED	**Issued capital $'000**	**Foreign currency translation $'000**	**Retained earnings $'000**	**Total Equity $'000**
At 1 July 2013	**43,152**	**742**	**(59,836)**	**(15,942)**
Other comprehensive income / (loss)	-	797	-	797
Net loss for the year	-	-	(4,054)	(4,054)
Total comprehensive income / (expense) for the year	**-**	**797**	**(4,054)**	**(3,257)**
Distribution to unit holders	-	-	(981)	(981)
At 30 June 2014	**43,152**	**1,539**	**(64,871)**	**(20,180)**

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Results for the year	Operating assets and liabilities	Capital structure and financing costs	Group Structure	Other Items
1. Revenue	4. Hotel Property, Plant and equipment	5. Cash and cash equivalents	11. Parent entity information	12. Investment properties
2. Expenses		6. Capital management		13. Trade and other receivables
3. Income tax		7. Interest bearing loans and borrowings		14. Commitments and contingencies
		8. Financial instruments		15. Related party disclosures
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		10. Distributions paid and proposed		17. Deed of cross guarantee
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NOTES TO THE FINANCIAL STATEMENTS – About this Report
30 JUNE 2015

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 2015 are authorised for issue in accordance with a resolution of the Directors of Abacus Hospitality Limited (“the Company”) and Abacus Funds Management Limited on 21 August 2015.

Net asset deficiency

At 30 June 2015, AHF and AHT have a net asset deficiency of $31.0m and $25.0m respectively (2014: $25.4m and $20.2m respectively) and a net current asset deficiency of $3.4m and $1.1m respectively (2014: $3.2m and $2.5m 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.

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

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

(a) Significant accounting judgements

Recovery of deferred tax assets

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

(b) Significant accounting estimates and assumptions

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.

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 (Note 18(l)) and (Note 18(m)). The fair value of these properties are reviewed regularly by management with reference to external independent property valuations and market conditions existing at reporting date, using generally accepted market practices. The assumptions underlying estimated fair values are those relating to the receipt of contractual rents, expected future market rentals, maintenance requirements, capitalisation rates and discount rates that reflect current market conditions and current or recent property investment prices. 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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

1. REVENUE

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
Other Income				
Foreign currency exchange gain	-	338	-	338
Insurance recoveries	1,164	953	1,164	953
Sundry Income	(31)	5	10	-
Total other income	**1,133**	**1,296**	**1,174**	**1,291**

2. EXPENSES

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
(a) Depreciation and amortisation expense				
Depreciation of property, plant and equipment - hotels	3,727	3,889	-	-
Total depreciation and amortisation expense	**3,727**	**3,889**	**-**	**-**
(b) Finance costs				
Interest on bank loans	4,666	4,681	4,666	4,681
Interest on related party loans	1,090	5,334	1,090	5,334
Amortisation of finance costs	173	261	173	261
Total finance costs	**5,929**	**10,276**	**5,929**	**10,276**
(c) Employee benefits expense				
Wages and salaries	19,249	19,873	-	-
Leave provisions	660	957	-	-
Other	2,036	2,100	-	-
Total employee benefits expense	**21,945**	**22,930**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

3. INCOME TAX

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
(a) Income tax expense				
The major components of income tax expense are:				
Income Statement				
Current income tax				
Current income tax charge	554	231	565	-
Adjustments in respect of current income tax of previous years	69	123	-	-
Deferred income tax				
Movement in depreciable assets tax depreciation	(24)	(20)	-	-
Relating to origination and reversal of temporary differences	315	(43)	-	-
Income tax expense reported in the income statement	**914**	**291**	**565**	**-**
(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 Fund's applicable income tax rate is as follows:				
Profit/(loss) before income tax expense	(2,265)	(3,470)	(1,710)	-
Prima facie income tax expense/(benefit) calculated at 30% (AU)	101	(917)	(160)	-
Prima facie income tax expense calculated at 28% (NZ)	(728)	(116)	(638)	-
Less prima facie income tax expense/ (benefit) on loss / (profit) from the Trust	(144)	1,197	160	-
Prima Facie income tax of entities subject to income tax	(771)	164	(638)	-
Entertainment	6	9	-	-
Foreign exchange translation adjustments	-	(5)	-	-
Adjustment of prior year tax applied	69	123	-	-
Derecognition of deferred tax assets	315	-	-	-
Other items (net)	1,295	-	1,203	-
Income tax expense	**914**	**291**	**565**	**-**
Income tax expense reported in the consolidated income statement	**914**	**291**	**565**	**-**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

3. INCOME TAX (continued)

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
(c) Recognised deferred tax assets and liabilities				
Deferred income tax at 30 June 2015 relates to the following:				
Deferred tax liabilities				
Other	202	147	-	-
Gross deferred income tax liabilities	**202**	**147**	-	-
Deferred tax assets				
Losses available for offset against future taxable income	3,022	3,247	-	-
Derecognition of deferred tax assets (losses)	(1,000)	(1,000)		
Employee provisions	494	547	-	-
Other	281	353	4	-
Gross deferred income tax assets	**2,797**	**3,147**	**4**	**-**

Unrecognised temporary differences

At 30 June 2015, 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 (2014: $nil).

Losses available for offset against future gains

At 30 June 2015, the Fund has recognised a deferred tax asset of $2.0m (2014:$2.2m) 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 being generated within the entities subject to tax. The Fund has determined, based on a profit forecast prepared, that future taxable profits will be available to offset these losses.

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 2015, the possibility of default is remote.

Nature of the tax funding agreement

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

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

4. HOTEL 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 8 for the year ended 30 June 2015.

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000
Property		
Australasian Hotels	114,030	150,307
	114,030	**150,307**
Average market capitalisation rate	8.81%	9.57%

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000
Land and buildings		
At 1 July, net of accumulated depreciation	139,587	133,559
Additions	1,352	3,068
Fair value movement through the income statement	(74)	1,312
Fair value movement through comprehensive income	351	(64)
Disposal	(35,759)	-
Effect of movements in foreign exchange	333	2,860
Depreciation charge for the year	(1,416)	(1,148)
At 30 June, net of accumulated depreciation	**104,374**	**139,587**
Cost or fair value less costs to sell	119,151	154,522
Accumulated depreciation	(14,777)	(14,935)
Net carrying amount at end of year	**104,374**	**139,587**
Plant and equipment		
At 1 July, net of accumulated depreciation	10,720	12,061
Additions	1,662	1,341
Disposals	(406)	-
Effect of movements in foreign exchange	(9)	(24)
Depreciation charge for the year	(2,311)	(2,658)
At 30 June, net of accumulated depreciation	**9,656**	**10,720**
Cost or fair value	31,087	33,941
Accumulated depreciation	(21,431)	(23,221)
Net carrying amount at end of year	**9,656**	**10,720**
Total net carrying amount of Property, Plant & Equipment	**114,030**	**150,307**

If property, plant and equipment was carried under the cost model, the carrying amount would be $114.2m (2014:150.8m).

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

4. HOTEL PROPERTY, PLANT AND EQUIPMENT (continued)

Revaluation gain 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 2015. During the year a decrease in fair value to reflect the recoverable amount was recognised as a loss of $0.1m in the income statement (2014: a gain of $1.3m). Recoverable amount has been determined as the fair value of the property, plant and equipment 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. 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.

In the year ended 30 June 2015, 0% (2014: 100%) by number of the property portfolio was subject to external valuation.

Sensitivity Information

Significant input	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Net market EBITDA	Increase	Decrease
Optimal occupancy	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase

The adopted capitalisation rate forms part of the income capitalisation approach.

When calculating the income capitalisation approach, the EBITDA has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total EBITDA generated from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the EBITDA and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the EBITDA and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the EBITDA and the adopted capitalisation rate could potentially magnify the impact to the fair value.

- A weighted average capitalisation rate for the hotel properties is 8.81% (2014: 9.57%).
- The current weighted average occupancy rate for the hotel properties is 72% (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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

5. CASH AND CASH EQUIVALENTS

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
Reconciliation to Cash Flow Statement				
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June 2015:				
Cash at bank and in hand [1]	**7,222**	**6,467**	**3,987**	**2,383**

1. 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

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
Net profit / (loss)	(3,179)	(3,761)	(2,275)	(4,054)
Adjustments for:				
Depreciation and amortisation expense	3,727	3,889	-	-
Amortisation of finance costs	173	261	173	261
Net change in fair value of financial instruments held at balance date	(255)	1,009	(255)	1,009
Net change in fair value of financial instruments derecognised	1,589	1,271	1,589	1,271
Net change in fair value of hotel property, plant and equipment held at balance date	74	(1,312)	-	-
Net change in fair value of investment property derecognised	3,456	-	3,070	-
Net change in fair value of investment property held at balance date	-	-	2,390	1,636
Foreign currency exchange difference	(1,908)	(336)	(1,649)	(336)
Increase/(Decrease) in payables	1,552	(11,328)	(857)	(9,574)
(Increase)/decrease in receivables and other assets	(397)	1,402	1,013	(775)
Net cash from operating activities	**4,832**	**(8,905)**	**3,199**	**(10,562)**

(a) Disclosure of financing facilities

Refer to note 7d

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

6. 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 will 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: 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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

7. INTEREST BEARING LOANS AND BORROWINGS

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
(a) Current				
Loans from related parties [3]	5,069	5,919	5,069	5,919
	5,069	**5,919**	**5,069**	**5,919**
(b) Non-current				
Bank loans - A$ [1,2]	51,233	42,500	51,233	42,500
Bank loans - A$ value of NZ$ denominated loan	-	23,759	-	23,759
Loans from related parties [3]	89,666	98,696	89,666	98,696
Less: Unamortised borrowing costs	(340)	(374)	(340)	(374)
	140,559	**164,581**	**140,559**	**164,581**
(c) Maturity profile of current and non-current interest bearing loans				
Due within one year	5,069	5,919	5,069	5,919
Due within two to five years	140,559	164,955	140,559	164,955
	145,628	**170,874**	**145,628**	**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.

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 1.8 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 4 and note 12.

2 AHF's weighted average interest rate as at 30 June 2015 was 8.07% (2014: 7.7%).

3 Loans are provided by Abacus related entities to assist in funding the acquisition of hotels and to provide working capital. The interest rate on the borrowings is 8%, however, the rate was reduced to 2.0% for the year (2014: 3.25%). The loan matures in June 2019 and has a remaining term to maturity of 4 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

30 JUNE 2015

7. INTEREST BEARING LOANS AND BORROWINGS (continued)

(d) Financial facility available

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

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
Total facilities - bank loans	55,000	70,000	55,000	70,000
Facilities used at reporting date - bank loans	(51,233)	(66,259)	(51,233)	(66,259)
Facilities unused at reporting date - bank loans	**3,767**	**3,741**	**3,767**	**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 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
Non-current				
First mortgage				
Property, plant and equipment	114,030	150,307	-	-
Investment properties	-	-	108,413	145,191
Total assets pledged as security	**114,030**	**150,307**	**108,413**	**145,191**

(f) Defaults and breaches

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

8. FINANCIAL INSTRUMENTS

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, price risk and foreign currency risk).

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

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

The main purpose of the financial instruments used by the Fund and the Trust is to raise finance for the Fund 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 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 instruments are disclosed in Note 18.

(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, 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; and
- obtaining collateral as security (where required or appropriate).

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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

8. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Credit risk exposures

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

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
Receivables	1,751	1,907	458	1,247
Related party receivables	-	-	10,862	11,378
Cash and cash equivalents	7,222	6,467	3,987	2,383
	8,973	**8,374**	**15,307**	**15,008**

As at 30 June 2015, the Fund and the Trust have the following concentrations of credit risk:

- Receivables: $1.3 million was represented by trading receivable by hotel operating companies in AHL.

The following table illustrates grouping of the Fund's and the Trust's trade and other 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 and potential adverse changes in the credit quality. Also, the credit risks of the insurers are mitigated through the use of insurance brokers to seek, place and diversify insurance covers across various well rated insurers.

CONSOLIDATED AHF 30 June 2015	Total $'000	Original term [1] $'000	Extended term $'000	Past due term [2] $'000	Impaired $'000
Trade and other receivables	1,751	1,473	273	5	-
less: provisioning	-	-	-	-	-
Total	**1,751**	**1,473**	**273**	**5**	**-**

CONSOLIDATED AHF 30 June 2014	Total $'000	Original term [1] $'000	Extended term $'000	Past due term [2] $'000	Impaired $'000
Trade and other receivables	1,919	1,380	535	4	-
less: provisioning	(12)	-	(8)	(4)	-
Total	**1,907**	**1,380**	**527**	**-**	**-**

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

8. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

CONSOLIDATED AHT 30 June 2015	Total $'000	Original term $'000	Extended term $'000	Past due term $'000	Impaired $'000
Trade and other receivables	458	458	-	-	-
less: provisioning	-	-	-	-	-
Total	**458**	**458**	**-**	**-**	**-**

CONSOLIDATED AHT 30 June 2014	Total $'000	Original term $'000	Extended term $'000	Past due term $'000	Impaired $'000
Trade and other receivables	1,247	1,247	-	-	-
less: provisioning	-	-	-	-	-
Total	**1,247**	**1,247**	**-**	**-**	**-**

The movement in the allowance for impairment in respect of secured property loans and receivables during the year was as follows:

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
Balance at 1 July 2014	12	15	-	-
Impairment loss recognised	2	9	-	-
Impairment loss utilised	(14)	(12)	-	-
Balance at 30 June 2015	**-**	**12**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

8. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity Risk

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

The 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 2015, the Fund and the Trust have undrawn committed facilities of $3.8 million and cash of $7.2 million 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 7.

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	Contractual cash flows	1 Year or less	Over 1 year to 5 years	Over 5 years
30 June 2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities					
Trade and other payables	7,411	7,411	7,411	-	-
Interest bearing loans and borrowings #	148,226	183,326	11,244	172,081	-
Total liabilities	**155,637**	**190,737**	**18,655**	**172,081**	**-**

CONSOLIDATED AHF	Carrying Amount	Contractual cash flows	1 Year or less	Over 1 year to 5 years	Over 5 years
30 June 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities					
Trade and other payables	6,044	6,044	6,044	-	-
Interest bearing loans and borrowings #	180,175	232,334	13,424	218,910	-
Total liabilities	**186,219**	**238,378**	**19,468**	**218,910**	**-**

CONSOLIDATED AHT	Carrying Amount	Contractual cash flows	1 Year or less	Over 1 year to 5 years	Over 5 years
30 June 2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities					
Trade and other payables	473	473	473	-	-
Interest bearing loans and borrowings #	148,226	183,326	11,244	172,081	-
Total liabilities	**148,699**	**183,799**	**11,717**	**172,081**	**-**

CONSOLIDATED AHT	Carrying Amount	Contractual cash flows	1 Year or less	Over 1 year to 5 years	Over 5 years
30 June 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities					
Trade and other payables	423	423	423	-	-
Interest bearing loans and borrowings #	180,175	232,334	13,424	218,910	-
Total liabilities	**180,598**	**232,757**	**13,847**	**218,910**	**-**

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

8. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the 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 the Fund and the Trust. The currencies in which these transactions are conducted are primarily denominated in NZD. As a result the Fund's and the Trust's balance sheet can be affected by movements in the A$/NZ$ exchange rates.

	NZD	
	2015	**2014**
CONSOLIDATED	**$'000**	**$'000**
Assets		
Cash at bank	799	545
Total assets	**799**	**545**

	NZD	
	2015	**2014**
CONSOLIDATED	**$'000**	**$'000**
Liabilities		
Interest bearing loans and borrowings	-	25,568
Total liabilities	**-**	**25,568**

The Fund and the Trust borrow 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 their New Zealand denominated asset values.

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

At 30 June 2015, had the Australian Dollar moved, as illustrated in the table below, with all other variables held consistent, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	**Post tax profit**		**Equity**	
	Higher/(lower)		**Higher/(lower)**	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Consolidated				
AUD/NZD +10%	(65)	(37)	-	-
AUD/NZD -10%	78	45	-	-

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

8. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

Interest rate risk / Fair value interest rate risk

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

The Fund and the Trust hedge to minimise interest rate risk by entering variable to fixed interest rate swaps which also helps deliver interest covenant compliance and positive carry (net rental income in excess of interest expense) on the property portfolio. Interest rate swaps have the economic effect of converting borrowings from variable rates to fixed rates. Under the interest rate swaps, the Fund and the Trust agree to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to the agreed notional principal amounts. At 30 June 2015, after taking into account the effect of interest rate swaps, approximately 58.6% of the Fund and the Trust's drawn debt is subject to fixed rate hedges (2014: 64.8%). Hedge cover as a percentage of available facilities at 30 June 2015 is 54.5% (2014: 61.3%).

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 variable rate debt subject to interest rate swaps and fixed rate debt is disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

8. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

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

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 30 June 2015	Floating interest rate $'000	Fixed interest less than 1 year $'000	Fixed interest 1 to 5 years $'000	Fixed interest over 5 years $'000	Non interest bearing $'000	Total $'000
Financial Assets						
Cash & cash equivalents	7,222	-	-	-	-	7,222
Receivables	-	-	-	-	1,751	1,751
Total financial assets	**7,222**	**-**	**-**	**-**	**1,751**	**8,973**
Weighted average interest rate	2.10%					
Financial liabilities						
Interest bearing liabilities - bank	51,233	-	-	-	-	51,233
Related party loans	-	5,069	89,666	-	-	94,735
Derivatives	-	-	-	-	2,598	2,598
Payables	-	-	-	-	7,411	7,411
Total financial liabilities	**51,233**	**5,069**	**89,666**	**-**	**10,009**	**155,977**
Notional principal swap balance maturies*'	-	-	30,000	-	-	30,000
Weighted average interest rate on drawn bank debt*	8.07%					

CONSOLIDATED AHF 30 June 2014	Floating interest rate $'000	Fixed interest less than 1 year $'000	Fixed interest 1 to 5 years $'000	Fixed interest over 5 years $'000	Non interest bearing $'000	Total $'000
Financial Assets						
Cash & cash equivalents	6,467	-	-	-	-	6,467
Receivables	-	-	-	-	1,907	1,907
Total financial assets	**6,467**	**-**	**-**	**-**	**1,907**	**8,374**
Weighted average interest rate	1.90%					
Financial liabilities						
Interest bearing liabilities - bank	65,885	-	-	-	-	65,885
Related party loans	-	5,919	98,696	-	-	104,615
Derivatives	-	-	-	-	9,675	9,675
Payables	-	-	-	-	6,044	6,044
Total financial liabilities	**65,885**	**5,919**	**98,696**	**-**	**15,719**	**186,219**
Notional principal swap balance maturies*'	-	-	42,942	-	-	42,942
Weighted average interest rate on drawn bank debt*	7.70%					

* rate calculated at 30 June excluding forward starts

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

8. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

Interest rate risk / Fair value 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	Fixed interest less than 1 year	Fixed interest 1 to 5 years	Fixed interest over 5 years	Non interest bearing	Total
30 June 2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Cash & cash equivalents	3,987	-	-	-	-	3,987
Receivables	-	-	-	-	458	458
Total financial assets	**3,987**	**-**	**-**	**-**	**458**	**4,445**
Weighted average interest rate	2.27%					
Financial liabilities						
Interest bearing liabilities - bank	51,233	-	-	-	-	51,233
Related party loans	-	5,069	89,666	-	-	94,735
Derivatives	-	-	-	-	2,598	2,598
Payables	-	-	-	-	473	473
Total financial liabilities	**51,233**	**5,069**	**89,666**	**-**	**3,071**	**149,039**
Notional principal swap balance maturities*'	-	-	30,000	-	-	30,000
Weighted average interest rate on drawn bank debt*	8.07%					

CONSOLIDATED AHT	Floating interest rate	Fixed interest less than 1 year	Fixed interest 1 to 5 years	Fixed interest over 5 years	Non interest bearing	Total
30 June 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Cash & cash equivalents	2,383	-	-	-	-	2,383
Receivables	-	-	-	-	1,247	1,247
Total financial assets	**2,383**	**-**	**-**	**-**	**1,247**	**3,630**
Weighted average interest rate	2.60%					
Financial liabilities						
Interest bearing liabilities - bank	65,885	-	-	-	-	65,885
Related party loans	-	5,919	98,696	-	-	104,615
Derivatives	-	-	-	-	9,675	9,675
Payables	-	-	-	-	423	423
Total financial liabilities	**65,885**	**5,919**	**98,696**	**-**	**10,098**	**180,598**
Notional principal swap balance maturities*' #	-	-	42,942	-	-	42,942
Weighted average interest rate on drawn bank debt*	7.70%					

* rate calculated at 30 June excluding forward starts

#The Trust had interest rate swap positions which in notional terms exceeded the amount of debt borrowed, as a result of repaying bank debt from hotel sales, including Diplomat in October 2012 and Swissotel in June 2010. .

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

8. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

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

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

CONSOLIDATED AHF					
	Carrying amount	**-1%**		**1%**	
	Floating	**Profit**	**Equity**	**Profit**	**Equity**
30 June 2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets	7,222	-	-	-	-
Financial liabilities	23,831	(434)	-	419	-

CONSOLIDATED AHF					
	Carrying amount	**-1%**		**1%**	
	Floating	**Profit**	**Equity**	**Profit**	**Equity**
30 June 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets	6,467	(65)	-	65	-
Financial liabilities	32,992	(1,506)	-	1,425	-

CONSOLIDATED AHT					
	Carrying amount	**-1%**		**1%**	
	Floating	**Profit**	**Equity**	**Profit**	**Equity**
30 June 2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets	3,987	-	-	-	-
Financial liabilities	23,831	(434)	-	419	-

CONSOLIDATED AHT					
	Carrying amount	**-1%**		**1%**	
	Floating	**Profit**	**Equity**	**Profit**	**Equity**
30 June 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets	2,383	(24)	-	24	-
Financial liabilities	32,992	(1,506)	-	1,425	-

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

8. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

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

Set out below, is a comparison by category of the carrying amounts and fair values of all the Fund's and Trust's financial instruments:

CONSOLIDATED AHF	Carrying Amount 2015 $'000	Fair Value 2015 $'000	Carrying Amount 2014 $'000	Fair Value 2014 $'000
Financial assets				
Cash and cash equivalents [1]	7,222	7,222	6,467	6,467
Trade and other receivables (current) [1]	1,751	1,751	1,907	1,907
Total financial assets	**8,973**	**8,973**	**8,374**	**8,374**
Financial Liabilities				
Trade and other payables [1]	7,411	7,411	6,044	6,044
Interest bearing loans and borrowings (current) [2]	5,069	5,069	5,919	5,919
Interest bearing loans and borrowings (non-current) [2]	140,559	140,559	164,581	164,581
Derivatives (non-current) [3]	2,598	2,598	9,675	9,675
Total financial liabilities	**155,637**	**155,637**	**186,219**	**186,219**
Net financial assets / (liabilities)	**(146,664)**	**(146,664)**	**(177,845)**	**(177,845)**

CONSOLIDATED AHT	Carrying Amount 2015 $'000	Fair Value 2015 $'000	Carrying Amount 2014 $'000	Fair Value 2014 $'000
Financial assets				
Cash and cash equivalents [1]	3,987	3,987	2,383	2,383
Trade and other receivables (current) [1]	458	458	1,247	1,247
Total financial assets	**4,445**	**4,445**	**3,630**	**3,630**
Financial Liabilities				
Trade and other payables [1]	473	473	423	423
Interest bearing loans and borrowings (current) [2]	5,069	5,069	5,919	5,919
Interest bearing loans and borrowings (non-current) [2]	140,559	140,559	164,581	164,581
Derivatives (non-current) [3]	2,598	2,598	9,675	9,675
Total financial liabilities	**148,699**	**148,699**	**180,598**	**180,598**
Net financial assets / (liabilities)	**(144,254)**	**(144,254)**	**(176,968)**	**(176,968)**

1. These financial assets and liabilities are not subject to interest rate or market risk and the fair value approximates carrying value.
2. The fair value of these financial liabilities (excluding derivative instruments and finance lease $2.2 million[1]) are determined at each reporting date in accordance with generally accepted valuation techniques; these include the use of recent arm's length transactions, reference to other assets that are substantially the same; or discounted cash flow analysis.
3. These financial assets and liabilities are subject to interest rate and market risks, the basis of determining the fair value is set out below in the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

8. FINANCIAL INSTRUMENTS (continued)

(d) Market Risk (continued)

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

In accordance with AASB 7 *Financial Instruments: Disclosures* and *AASB13 Fair Value Measurement* the Fund's and 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.

30 June 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Current				
Interest bearing loans and borrowings	-	5,069	-	5,069
Total current	**-**	**5,069**	**-**	**5,069**
Non-current				
Derivative liabilities	-	2,598	-	2,598
Interest bearing loans and borrowings	-	140,559	-	140,559
Total non-current	**-**	**143,157**	**-**	**143,157**

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 period.

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 2015

9. CONTRIBUTED EQUITY

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'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 Issued securities		AHT Issued units	
	Number '000	Value '000	Number '000	Value '000
At 1 July 2014	49,039	45,611	49,039	43,152
Securities on issue at 30 June 2015	**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 security holders upon liquidation of AHF and AHT to the extent of a deficit/shortfall to issue price.

10. DISTRIBUTIONS PAID AND PROPOSED

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
(a) Distributions paid during the year				
Jun 2014 quarter: 0.500 cents per security (2013: 0.500 cents)	245	245	245	245
Sep 2014 quarter: 0.500 cents per security (2013: 0.500 cents)	245	245	245	245
Dec 2014 quarter: 0.500 cents per security (2013: 0.500 cents)	245	245	245	245
Mar 2015 quarter: 0.500 cents per security (2014: 0.500 cents)	246	246	246	246
	981	**981**	**981**	**981**
(b) Distributions proposed and not recognised as a liability^				
Jun 2015 quarter: 0.500 cents per security (2014: 0.500 cents)	**245**	**245**	**245**	**245**

^ The final distribution of 0.50 cents per stapled security was declared on 1 July 2015. The distribution paid on 7 August 2015 was $0.245 million. No provision for the distribution has been recognised in the balance sheet at 30 June 2015 as the distribution had not been declared by the end of the year.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

11. PARENT ENTITY FINANCIAL INFORMATION

	AHF PARENT 2015 $'000	AHF PARENT 2014 $'000	AHT PARENT 2015 $'000	AHT PARENT 2014 $'000
Results of the parent entity				
Profit/(loss) for the year	(59)	(3)	198	(6,283)
Other comprehensive income	-	-	-	-
Total comprehensive expense for the year	(59)	(3)	198	(6,283)
Financial position of the parent entity at year end				
Current assets	1	1	4,489	3,020
Total assets	**1,438**	**1,413**	**120,493**	**152,344**
Current liabilities	2,043	1,909	5,337	6,253
Total liabilitites	**2,043**	**1,959**	**148,834**	**180,883**
Net deficiency	**(605)**	**(546)**	**(28,341)**	**(28,539)**
Total equity of the parent entity comprising of:				
Issued capital	2,459	2,458	43,152	43,152
Retained earnings/(accumulated losses)	(3,064)	(3,004)	(71,493)	(71,691)
Total equity	**(605)**	**(546)**	**(28,341)**	**(28,539)**

(a) Parent Entity contingencies

There are no contingencies with the parent entity as at 30 June 2015 (2014: $Nil).

(b) Parent Entity capital commitments

The parent entity has not entered into any capital commitments as at 30 June 2015 (2014: $Nil).

(c) 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 17.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

12. 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 8(d):

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
Carrying amount at beginning of the financial period	-	-	145,191	140,594
Additions and capital expenditure	-	-	1,069	3,436
Fair value adjustments for properties held at balance date	-	-	(2,390)	(1,636)
Disposal	-	-	(35,779)	-
Effect of movements in foreign exchange	-	-	322	2,797
Carrying amount at end of the financial year	**-**	**-**	**108,413**	**145,191**

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

Sensitivity Information

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

The adopted capitalisation rate forms part of the income capitalisation approach.

When calculating the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the net market rent and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving at a fair value given the discount rate will determine the rate in which the terminal value is discounted to the present value.

During the year ended 30 June 2015, 0% (30 June 2014: 100%) of the number of investment properties in the portfolio was subject to external valuations, the remaining 100% (30 June 2014: nil) was subject to internal valuation.

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. The Managing Director 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 different valuation cycle.

The majority of the investment properties are used as security for secured bank debt outlined in Note 7(e).

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

13. TRADE AND OTHER RECEIVABLES

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
(a) Current receivables				
Trade debtors	1,749	1,876	-	14
Other debtors	2	43	-	1
Related party receivables [1]	-	-	458	1,232
Gross receivables	1,751	1,919	458	1,247
Less provision for doubtful debts	-	(12)	-	-
Total net current receivables	**1,751**	**1,907**	**458**	**1,247**
(b) Non-current receivables				
Related party receivables [2]	-	-	10,862	11,378
Total net non-current receivables	**-**	**-**	**10,862**	**11,378**

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 that are not expected to be settled in 12 months.

14. COMMITMENTS AND CONTINGENCIES

There are no contingent liabilities referable to AHF and AHT at 30 June 2015.

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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

15. RELATED PARTY DISCLOSURES

(a) Subsidiaries

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

	Equity interest	
	2015	**2014**
Entity	**%**	**%**
Abacus Hospitality Limited and its subsidiaries:		
Abacus Chateau Pty Ltd	100	100
Abacus Matson Holding Pty Ltd	100	100
Abacus Tradewinds Operating Company Pty Ltd	100	100
Abacus Twin Waters Resort Pty Ltd	100	100
Abacus Hospitality Trust and its subsidiaries		
Abacus Chateau Trust	100	100
Abacus Matson Resort Trust	100	100
Abacus Tradewinds Trust	100	100
Abacus Twin Waters 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 16.

(d) Director-related entity transactions

No transactions with directors occurred during the year.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

15. RELATED PARTY DISCLOSURES (continued)

(e) Transactions with related parties

	AHF Consolidated 2015 $'000	AHF Consolidated 2014 $'000	AHT Consolidated 2015 $'000	AHT Consolidated 2014 $'000
Transactions with related parties other than associates and joint ventures				
Expense				
Management fee	1,392	1,556	1,392	1,556
Other fees	358	508	358	508
Other transactions				
Loan repayments to related party	(9,214)	(11,955)	(9,214)	(11,955)
Waiver of interest on related party loan	(7,051)	(3,038)	(7,051)	(3,038)
Interest expense of loan from related party	8,141	9,209	8,141	9,209
Loan received from related party	-	9,655	-	9,655

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) 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 $1.4 million (2014: $1.6 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 2015 (2014:$ nil).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

16. 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
Malcolm Irving	Non-executive Director
Len Lloyd	Executive Director
Myra Salkinder	Non-executive Director
Peter Spira	Non-executive Director

(ii) Executives

E Varejes	Chief Operating Officer and Company Secretary
C Aarons	Head of Strategy
R. Baulderstone	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.

(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 note15.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

17. DEED OF CROSS GUARANTEE

AHL and one of its wholly-owned companies (the “Closed Group”) –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 2015 and Balance Sheet as at 30 June 2015, comprising the members of the closed Group after eliminating all transactions between members are set out below:

	CLOSED GROUP	
	2015	**2014**
	$'000	**$'000**
Summarised Income Statement		
Profit/(Loss) before income tax (expense)/benefit	(1,005)	404
Income tax (expense)/benefit	189	(129)
Profit/(loss) for the year	**(816)**	**275**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

17. DEED OF CROSS GUARANTEE (continued)

	CLOSED GROUP	
	2015	2014
	$'000	$'000
CURRENT ASSETS		
Cash and cash equivalents	1,592	1,571
Trade and other receivables	355	287
Other assets	317	312
TOTAL CURRENT ASSETS	**2,264**	**2,170**
NON-CURRENT ASSETS		
Hotel Property, plant and equipment	2,687	2,137
Deferred tax assets	1,794	1,512
Investment in controlled entities	811	811
TOTAL NON-CURRENT ASSETS	**5,292**	**4,460**
TOTAL ASSETS	**7,556**	**6,630**
CURRENT LIABILITIES		
Trade and other payables	9,629	7,957
Provisions	301	320
TOTAL CURRENT LIABILITIES	**9,930**	**8,277**
NON-CURRENT LIABILITIES		
Deferred tax liabilities	227	136
Provisions	403	405
TOTAL NON-CURRENT LIABILITIES	**630**	**541**
TOTAL LIABILITIES	**10,560**	**8,818**
NET LIABILITIES	**(3,004)**	**(2,188)**

	CLOSED GROUP	
	2015	2014
	$'000	$'000
EQUITY		
Contributed equity	2,459	2,459
Accumulated losses	(5,463)	(4,647)
TOTAL EQUITY	**(3,004)**	**(2,188)**

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for investment properties and derivative financial instruments which have been measured at fair value, interests in joint ventures and associates which are accounted for using the equity method, and certain investments and financial assets measured at fair value.

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

(b) Statement of Compliance

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

(c) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The following amending Standards have been adopted from 1 July 2014 along with the required changes arising from improvements to AASBs 2010-2012 cycle. Adoption of these standards and interpretations did not have any material effect on the financial position or performance of the Fund and the Trust.

- AASB 2012-3: - Offsetting Financial Assets and Financial Liabilities

  The amendments clarify the meaning of ‘currently has a legally enforceable right to set-off’ and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Fund and the Trust as no entities within the Fund and the Trust have any offsetting arrangements.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Fund and the Trust for the annual reporting period ended 30 June 2015. These are outlined below:

- AASB 9 Financial Instruments (effective 1 January 2018 / applicable for the Fund and the Trust 1 July 2018)

  This standard includes requirement to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139 Financial Instruments: Recognition and Measurement.

  The Fund and the Trust will review the classification of its existing financial assets and liabilities in line with the Standard, such as secured and related party loans, options and derivatives.

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138) (effective 1 January 2016 / applicable for the Fund and the Trust 1 July 2016)

  AASB 16 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodies in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodies in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

  The revision will have no impact on how the Fund and the Trust measures its depreciation and amortisation.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

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

- Revenue from Contracts with Customers (effective 1 January 2017 / applicable for the Fund and the Trust 1 July 2017)

  In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services).

  The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the flowing steps:

  a. Step 1: Identify the contract(s) with a customer
  b. Step 2: Identify the performance obligations in the contract
  c. Step 3: Determine the transaction price
  d. Step 4: Allocate the transaction price to the performance obligations in the contract
  e. Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

  Early adoption of this Standard is permitted. AASB 2015-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including interpretations) arising from the issuance of AASB 15.

  The Fund and the Trust will review any contracts it has with customers and assess the disclosure requirements, if any, of these contracts.

- Annual improvements to Australian Accounting Standards 2012-2014 Cycle (effective 1 January 2016 / applicable to the Fund and the Trust 1 July 2016)

  The subjects of the principal amendments to the Standards are set out below:

  - AASB 5 Non-current Assets Held for Sale and Discontinued Operations:

    Changes in methods of disposal – when an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or vice versa), an entity shall not follow the guidance in paragraphs 27-29 to account for this change.

  - AASB 7 Financial Instruments: Disclosures:

    Servicing contracts – clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purpose of applying the disclosure requirements in paragraph 42E – 42H of AASB 134.

    Applicability of the amendments to AASB 7 to condensed interim financial statements – clarify that the additional disclosure required by the amendments to AASB 7 Disclosure – Offsetting Financial Assets and Financial Labilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretations (continued)

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

- AASB 119 Employee Benefits

  Discount rate: regional market issues – clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.

- AASB 134 Interim Financial Reporting

  Disclosure of information 'elsewhere in the interim financial report' amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.

- Disclosure Initiative: Amendments to AASB 101 (effective 1 January 2016 / applicable for the Fund and the Trust 1 July 2016)

  The Standard makes amendment to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosure. The amendments also clarify that the companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

  The Fund and the Trust have commenced a simplification and streamlining project on the format and presentation of the statutory report to keep up with industry standards and current focus on reducing complexity. This is an ongoing project and the Fund and the Trust will assess current format in line with the Standard when adopted by the AASB.

AASB 14, AASB 2014-6, AASB 1056, AASB 2015-3, AASB 2015-4, AASB 2015-5 and AASB 2015-6 will have no application to the Fund and the Trust.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

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

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

At reporting date the assets and liabilities of foreign operations are translated into the presentation currency of the 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 2015

18. 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 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.

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

Revenue from 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. Financial instruments are derecognised when the right to receive or pay cash flows from the financial derivative has expired or when the entity transfers substantially all the risks and rewards of the financial derivative through termination. Gains or losses due to derecognition are recognised in the statement of comprehensive income.

Net change in fair value of investments held at balance date

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

(g) Expenses

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

(h) Cash and cash equivalents

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

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

(i) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised at amortised cost, which in the case of the Fund and the Trust, is the 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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Derivative financial instruments and hedging

The Fund and the Trust utilise derivative financial instruments, both foreign exchange and interest rate swaps to manage the risk associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are recognised at fair value.

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

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

(k) Investments and other financial assets

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

Financial assets in the scope of AASB 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 2014 the Fund's and the Trust's investments have been classified as financial assets at fair value through profit or loss and property loans are classified as loans and receivables.

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Hotel property, plant and equipment

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

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

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

Revaluations of land and buildings

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

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

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

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

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

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.

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

Impairment losses are recognised in the income statement.

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

Disposal

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time that the cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market and property specific conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

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

Investment properties under construction are carried at fair value. Fair value is calculated based on estimated fair value on completion after allowing for the remaining expected costs of completion plus an appropriate risk adjusted development margin.

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

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

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

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

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. Leasing costs and incentives are included in the carrying value of investment property and are amortised over the respective lease period, either using a straight-line basis, or a basis which is more representative of the pattern of benefits.

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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 a 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.

(o) 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.

(p) 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. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

ii) Long service leave

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Distributions and dividends

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

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

(r) 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.

Borrowings are classified as non-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. 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.

(s) Contributed equity

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

(t) 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 trusts and the trusts generally distribute their taxable income.

Company income tax

AHL and its Australian resident wholly-owned subsidiaries have formed separate tax consolidation groups.

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 2015

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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.

New Zealand

The trusts that operate in New Zealand ("NZ") are treated as a company for NZ income tax purposes and are taxed at the corporate tax rate of 28% (2014: 28%). NZ income tax paid by the Trusts can be claimed as foreign tax credits to offset against foreign income and distributable to security holders. NZ tax losses are carried forward provided the continuity test of ownership is satisfied. Interest expense from the Trusts are fully deductible subject to thin capitalisation considerations. Property revaluation gains or losses are to be excluded from taxable income, with no deferred tax implications as capital gains are not taxed in NZ.

Income derived by companies which are incorporated in Australia and registered in NZ as overseas companies is exempt from tax in Australia where the income has been taxed in NZ. This income is regarded as non-assessable non-exempt income. As such, income tax is calculated on the companies' NZ taxable income and taxed at the NZ corporate rate of 28% (2014: 28%).

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2015

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Taxation (continued)

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 2015

19. AUDITOR'S REMUNERATION

	AHF Consolidated 30 June 2015 $	AHF Consolidated 30 June 2014 $	AHT Consolidated 30 June 2015 $	AHT Consolidated 30 June 2014 $
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	**86,000**	**86,000**	**9,000**	**9,000**

20. 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 financial year that has significantly affected, 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 Fund and the Trust 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 and consolidated entity's financial position as at 30 June 2015 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 18(b); and

c. there are reasonable grounds to believe that the Fund and the Trust will be able to pay its 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, 21 August 2015

Frank Wolf
Managing Director

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Independent auditor's report to the 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 2015, 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 18(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 about 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 directors' report.

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 consolidated Fund and Trust's financial position as at 30 June 2015 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 18(b).

Ernst & Young

Ernst & Young

Kathy Parsons
Partner
Sydney
21 August 2015