

HALF YEAR FINANCIAL REPORT

31 December 2015

Directory**Abacus Funds Management Limited**

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Custodian:

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

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

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

Company Secretary:

Ellis Varejes

Auditor (Financial and Compliance Plan):

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

Share Registry:

Boardroom Pty Ltd
Level 12, 225 George St
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It is recommended that this Half-Year Financial Report should be read in conjunction with the Annual Financial Report of Abacus Hospitality Fund and Abacus Hospitality Trust as at 30 June 2015. It is also recommended that the report be considered together with any public announcements made by the Abacus Hospitality Fund in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

DIRECTORS' REPORT**31 December 2015**

The Directors of Abacus Funds Management Limited ("AFML"), the responsible entity of the Abacus Hospitality Trust ("AHT" or the "Trust") and the Directors of Abacus Hospitality Limited ("AHL" or the "Company") collectively known as the Abacus Hospitality Fund ("AHF" or the "Fund") submit their report together with the financial reports for AHF and AHT for the half-year ended 31 December 2015 with the independent review report thereon.

The consolidated financial reports of AHF for the half-year ended 31 December 2015 comprise the consolidated financial reports of AHL and its controlled entities and AHT and its controlled entities.

DIRECTORS

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

John Thame	Chairman (Non-executive)
Frank Wolf	Managing Director
William Bartlett	Non-executive Director
Malcolm Irving	Non-executive Director
Len Lloyd	Executive Director
Myra Salkinder	Non-executive Director
Peter Spira	Non-executive Director

PRINCIPAL ACTIVITIES

The principal activity of the Fund and the Trust during the period ended 31 December 2015 was the ownership and operation of hotels in Australia.

FUND STRUCTURE

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

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

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

REVIEW AND RESULTS OF OPERATIONS

The Fund earned a net profit of \$4.2 million for the half-year ended 31 December 2015 (December 2014: \$3.1 million loss).

The increase in the net profit was due to improved trading conditions and the increase in the fair value of the hotels.

At the end of the period, the Fund held a portfolio of 3 hotels comprising 862 rooms (December 2014: 4 hotels comprising 1054 rooms). The fair value of the Fund's three hotels increased by \$11.5m during the period compared with a decrease in fair value of \$2.8m in the corresponding prior period. The weighted average cap rate was 7.98%.

DIRECTORS' REPORT

31 December 2015

REVIEW AND RESULTS OF OPERATIONS (continued)

The Fund's net debt gearing ratio (calculated as total interest bearing liabilities less cash divided by total assets less cash) excluding the Abacus working capital was 33% at 31 December 2015 (June 2015: 37%).

	31-Dec-15	30-Jun-15
Total assets (\$ '000)	137,924	126,504
Gearing (%)¹	33.0	37.0
Net assets/(deficiency) (\$ '000)	(18,762)	(30,981)
Securities on issue ('000)	49,039	49,039

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

DISTRIBUTIONS

The December quarterly distribution of 0.5 cents per stapled security was paid on 5 February 2016. Distributions are paid on a quarterly basis.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

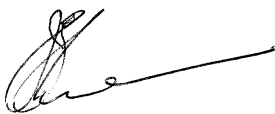
ROUNDING

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

AUDITORS INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the directors.



John Thame
Chairman



Frank Wolf
Managing Director

Sydney, 29 February 2016



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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

As lead auditor for the review of Abacus Hospitality Fund comprising Abacus Hospitality Limited and the entities it controlled and Abacus Hospitality Trust and the entities it controlled for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Abacus Hospitality Fund comprising Abacus Hospitality Limited and the entities it controlled and Abacus Hospitality Trust and the entities it controlled during the financial period.

Ernst & Young

Kathy Parsons
Partner
29 February 2016

CONSOLIDATED INCOME STATEMENT
HALF-YEAR ENDED 31 DECEMBER 2015

	AHF Consolidated 31 Dec 2015 \$'000	AHF Consolidated 31 Dec 2014 \$'000	AHT Consolidated 31 Dec 2015 \$'000	AHT Consolidated 31 Dec 2014 \$'000
REVENUE				
Hotel income	29,004	32,743	-	-
Rental income	-	-	3,919	5,425
Finance income	63	76	35	27
Total Revenue	29,067	32,819	3,954	5,452
OTHER INCOME				
Net change in fair value of financial instruments held at balance date	524	(1,172)	524	(1,172)
Net change in fair value of hotel property, plant & equipment held at balance date	3,031	(2,831)	-	-
Net change in fair value of investment properties	-	-	10,341	(4,243)
Other income	40	106	40	106
Total Revenue and Other Income	32,662	28,922	14,859	143
Employee benefits expense	(10,831)	(12,128)	-	-
Hotel expenses	(7,698)	(8,692)	-	-
Cost of sales	(3,773)	(4,267)	-	-
Finance costs	(2,896)	(3,378)	(2,896)	(3,378)
Depreciation, amortisation and impairment expense	(1,798)	(1,960)	-	-
Administrative and other expenses	(620)	(801)	(614)	(770)
Property expenses and outgoings	(236)	(238)	(103)	(103)
PROFIT / (LOSS) BEFORE TAX	4,810	(2,542)	11,246	(4,108)
Income tax expense	(632)	(543)	-	-
NET PROFIT / (LOSS) AFTER TAX	4,178	(3,085)	11,246	(4,108)
PROFIT ATTRIBUTABLE TO:				
AHL members	1,464	1,023	-	-
AHT members	2,714	(4,108)	11,246	(4,108)
NET PROFIT / (LOSS)	4,178	(3,085)	11,246	(4,108)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
HALF-YEAR ENDED 31 DECEMBER 2015

	AHF Consolidated 31 Dec 2015 \$'000	AHF Consolidated 31 Dec 2014 \$'000	AHT Consolidated 31 Dec 2015 \$'000	AHT Consolidated 31 Dec 2014 \$'000
NET PROFIT / (LOSS) AFTER TAX	4,178	(3,085)	11,246	(4,108)
OTHER COMPREHENSIVE INCOME				
<i>Items that will not be reclassified subsequently to the income statement</i>				
Revaluation of assets, net of tax	8,532	-	-	-
<i>Items that may be reclassified subsequently to the income statement</i>				
Foreign exchange translation adjustments, net of tax	-	321	-	295
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	12,710	(2,764)	11,246	(3,813)
Total comprehensive income / (loss) attributable to:				
Members of the parent entity (AHL)	1,464	1,049	-	-
Members of other stapled entity:				
Non-controlling interest - Abacus Hospitality Trust	11,246	(3,813)	11,246	(3,813)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	12,710	(2,764)	11,246	(3,813)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		AHF	AHF	AHT	AHT
		Consolidated	Consolidated	Consolidated	Consolidated
		31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015
	Notes	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash and cash equivalents		7,783	7,222	3,713	3,987
Trade and other receivables		2,059	1,751	138	458
Inventory		384	358	-	-
Other		612	346	116	-
TOTAL CURRENT ASSETS		10,838	9,677	3,967	4,445
NON-CURRENT ASSETS					
Hotel property, plant and equipment	1	124,930	114,030	-	-
Deferred tax assets		2,156	2,797	4	4
Hotel investment properties	6	-	-	119,072	108,413
Related party receivables		-	-	11,177	10,862
TOTAL NON-CURRENT ASSETS		127,086	116,827	130,253	119,279
TOTAL ASSETS		137,924	126,504	134,220	123,724
CURRENT LIABILITIES					
Trade and other payables		6,570	7,411	291	473
Interest-bearing loans and borrowings	2(a)	5,426	5,069	5,426	5,069
Provisions		621	576	-	-
TOTAL CURRENT LIABILITIES		12,617	13,056	5,717	5,542
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	2(b)	140,649	140,559	140,649	140,559
Derivatives at fair value		2,074	2,598	2,074	2,598
Provisions		1,154	1,070	-	-
Deferred tax liabilities		192	202	-	-
TOTAL NON-CURRENT LIABILITIES		144,069	144,429	142,723	143,157
TOTAL LIABILITIES		156,686	157,485	148,440	148,699
NET LIABILITIES		(18,762)	(30,981)	(14,220)	(24,975)
TOTAL EQUITY		(18,762)	(30,981)	(14,220)	(24,975)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2015

		AHF	AHF	AHT	AHT
		Consolidated	Consolidated	Consolidated	Consolidated
		31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015
	Notes	\$'000	\$'000	\$'000	\$'000
Equity attributable to members of AHL:					
Contributed equity		2,459	2,459	-	-
Reserves		-	-	-	-
Accumulated losses		(7,001)	(8,465)	-	-
Total equity attributable to members of AHL:		(4,542)	(6,006)	-	-
Equity attributable to unitholders of AHT:					
Contributed equity		43,152	43,152	43,152	43,152
Reserves		8,883	351	-	-
Accumulated losses		(66,255)	(68,478)	(57,372)	(68,127)
Total equity attributable to unitholders of AHT:		(14,220)	(24,975)	(14,220)	(24,975)
TOTAL EQUITY		(18,762)	(30,981)	(14,220)	(24,975)
Contributed equity	4	45,611	45,611	43,152	43,152
Reserves		8,883	351	-	-
Accumulated losses		(73,256)	(76,943)	(57,372)	(68,127)
TOTAL EQUITY		(18,762)	(30,981)	(14,220)	(24,975)

CONSOLIDATED STATEMENT OF CASH FLOW
HALF-YEAR ENDED 31 DECEMBER 2015

	AHF Consolidated 31 Dec 2015 \$'000	AHF Consolidated 31 Dec 2014 \$'000	AHT Consolidated 31 Dec 2015 \$'000	AHT Consolidated 31 Dec 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Income receipts	24,889	27,406	5,084	5,608
Interest received	63	76	30	27
Income tax paid	-	(58)	-	-
Finance costs paid	(2,285)	(2,964)	(2,285)	(2,964)
Operating payments	(20,523)	(20,843)	(1,179)	(800)
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,144	3,617	1,650	1,871
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,135)	(1,441)	(318)	(559)
Repayment of loans by related entities	-	-	(1,160)	(947)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,135)	(1,441)	(1,478)	(1,506)
CASH FLOWS FROM FINANCING ACTIVITIES				
Distributions paid	(491)	(490)	(491)	(490)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(491)	(490)	(491)	(490)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	518	1,686	(319)	(125)
Net foreign exchange differences	43	55	40	17
Cash and cash equivalents at beginning of period	7,222	6,467	3,987	2,383
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7,783	8,208	3,708	2,275

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
HALF-YEAR ENDED 31 DECEMBER 2015

Consolidated AHF - 2016	Attributable to the stapled security holder				
	Issued capital	Asset revaluation reserve	Foreign currency translation	Retained earnings	Total Equity
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2015	45,611	351	-	(76,943)	(30,981)
Other comprehensive income	-	8,532	-	-	8,532
Net income for the period	-	-	-	4,178	4,178
Total comprehensive income for the period	-	8,532	-	4,178	12,710
Distribution to security holders	-	-	-	(491)	(491)
At 31 December 2015	45,611	8,883	-	(73,256)	(18,762)

Consolidated AHF - 2015	Attributable to the stapled security holder				
	Issued capital	Asset revaluation reserve	Foreign currency translation	Retained earnings	Total Equity
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2014	45,611	-	1,819	(72,783)	(25,353)
Other comprehensive income	-	-	321	-	321
Net loss for the period	-	-	-	(3,085)	(3,085)
Total comprehensive income / (loss) for the period	-	-	321	(3,085)	(2,764)
Distribution to security holders	-	-	-	(735)	(735)
At 31 December 2014	45,611	-	2,140	(76,603)	(28,852)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
HALF-YEAR ENDED 31 DECEMBER 2015

Consolidated AHT - 2016	Attributable to the stapled security holder			
	Issued capital	Foreign currency translation	Retained earnings	Total Equity
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000
At 1 July 2015	43,152	-	(68,127)	(24,975)
Net income for the period	-	-	11,246	11,246
Total comprehensive income for the period	-	-	11,246	11,246
Distribution to unit holders	-	-	(491)	(491)
At 31 December 2015	43,152	-	(57,372)	(14,220)

Consolidated AHT - 2015	Attributable to the stapled security holder			
	Issued capital	Foreign currency translation	Retained earnings	Total Equity
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000
At 1 July 2014	43,152	1,539	(64,871)	(20,180)
Other comprehensive income	-	295	-	295
Net loss for the period	-	-	(4,108)	(4,108)
Total comprehensive income/(loss) for the period	-	295	(4,108)	(3,813)
Distribution to unit holders	-	-	(735)	(735)
At 31 December 2014	43,152	1,834	(69,714)	(24,728)

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			4. Contributed equity	8. Summary of significant accounting policies	
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NOTES TO THE FINANCIAL STATEMENTS – About this Report

31 DECEMBER 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 half-year ended 31 December 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 29 February 2016.

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

Net asset deficiency

At 31 December 2015, AHF and AHT have a net asset deficiency of \$18.8m and \$14.2m respectively (June 2015: \$31.0m and \$25.0m respectively). AHF and AHT have obtained a letter from Abacus Property Group ("APG") that APG does not intend to request repayment of its loan for a period of 12 months from the date of this financial report and to the extent necessary APG intends to provide financial support to enable AHF and AHT to pay its debts as and when they fall due within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

1. 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 3 for the half-year ended 31 December 2015.

	AHF Consolidated 31 Dec 2015 \$'000	AHF Consolidated 30 Jun 2015 \$'000
Property		
Australasian Hotels	124,930	114,030
	124,930	114,030
Average market capitalisation rate	7.98%	8.81%
	AHF Consolidated 31 Dec 2015 \$'000	AHF Consolidated 30 Jun 2015 \$'000
Land and buildings		
At the beginning of the period, net of accumulated depreciation	104,374	139,587
Additions	318	1,352
Fair value movement through the income statement	3,031	(74)
Fair value movement through comprehensive income	8,532	351
Disposal	-	(35,759)
Effect of movements in foreign exchange	-	333
Depreciation charge for the period	(460)	(1,416)
At the end of the period net of accumulated depreciation	115,795	104,374
Gross value	131,032	119,151
Accumulated depreciation	(15,237)	(14,777)
Net carrying amount at end of period	115,795	104,374
Plant and equipment		
At the beginning of the period, net of accumulated depreciation	9,656	10,720
Additions	817	1,662
Disposals	-	(406)
Effect of movements in foreign exchange	-	(9)
Depreciation charge for the period	(1,338)	(2,311)
At the end of the period net of accumulated depreciation	9,135	9,656
Gross value	31,904	31,087
Accumulated depreciation	(22,769)	(21,431)
Net carrying amount at end of period	9,135	9,656
Total	124,930	114,030

If property, plant and equipment was carried under the cost model, the carrying amount would be \$113.6m (30 June 2015:114.2m).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. INTEREST BEARING LOANS AND BORROWINGS

	AHF Consolidated 31 Dec 2015 \$'000	AHF Consolidated 30 Jun 2015 \$'000	AHT Consolidated 31 Dec 2015 \$'000	AHT Consolidated 30 Jun 2015 \$'000
(a) Current				
Loans from related parties ³	5,426	5,069	5,426	5,069
	5,426	5,069	5,426	5,069
(b) Non-current				
Bank loans - A\$ ^{1,2}	51,233	51,233	51,233	51,233
Loans from related parties ³	89,666	89,666	89,666	89,666
Less: Unamortised borrowing costs	(250)	(340)	(250)	(340)
	140,649	140,559	140,649	140,559
(c) Maturity profile of current and non-current interest bearing loans				
Due within one year	5,426	5,069	5,426	5,069
Due between one and five years	140,649	140,559	140,649	140,559
	146,075	145,628	146,075	145,628

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. AHF's \$A bank facility matures in April 2017. The facility is secured by a charge over AHF's hotel assets and at 31 December 2015 approximately 58.6% (30 June 2015: 58.6%) of drawn bank debt facilities were subject to current fixed rate hedges with a weighted average term to maturity of 1.3 years (30 June 2015: 1.8 years).
2. AHF's weighted average interest rate as at 31 December 2015 was 7.2% (30 June 2015: 8.1%).
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 8.0%, however, the rate was reduced to 2.0% for the year (30 June 2015: 2.0%). The loan matures in June 2019 and has a remaining term to maturity of 3.5 years. This loan ranks equally with other unitholders upon liquidation of AHF to the extent of a deficit/shortfall to issue price.

(d) Assets pledged as security

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

	AHF Consolidated 31 Dec 2015 \$'000	AHF Consolidated 30 Jun 2015 \$'000	AHT Consolidated 31 Dec 2015 \$'000	AHT Consolidated 30 Jun 2015 \$'000
Non-current				
<i>First mortgage</i>				
Property, plant and equipment	124,930	114,030	-	-
Investment properties	-	-	119,072	108,413
Total assets pledged as security	124,930	114,030	119,072	108,413

(e) Defaults and breaches

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

NOTES TO THE FINANCIAL STATEMENTS

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3. FINANCIAL INSTRUMENTS

Fair values

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

Details of the Group's fair value measurement, valuation technique and inputs are detailed below.

Class of assets / liabilities	Fair value hierarchy	Valuation technique	Inputs used to measure fair value
Investment properties	Level 3	Discounted Cash Flow ("DCF") and Income capitalisation method	Adopted capitalisation rate Optimal occupancy Adopted discount rate
Property, plant and equipment	Level 3	Income capitalisation method	Net market EBITDA Optimal occupancy Adopted capitalisation rate
Derivative financial instruments	Level 2	DCF (adjusted for counterparty credit worthiness)	Interest rates Consumer Price Index ("CPI") Volatility

Level 1 Quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 Inputs for the asset or liability that are not based on observable market data.

There were no transfers between Levels 1, 2 and 3 during the period.

Income capitalisation method	This method involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value, with allowances for capital expenditure reversions.
Discounted cash flow method	Under the DCF method, the fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the assets' or liabilities' life including an exit or terminal value. The DCF method involves the projection of a series of cash flows from the assets or liabilities. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the cash flow stream associated with the assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

4. CONTRIBUTED EQUITY

	AHF Consolidated 31 Dec 2015 \$'000	AHF Consolidated 30 Jun 2015 \$'000	AHT Consolidated 31 Dec 2015 \$'000	AHT Consolidated 30 Jun 2015 \$'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
	Stapled securities		Stapled securities	
	Number '000	Value \$'000	Number '000	Value \$'000
(b) Movement in securities on issue				
At 30 June 2015	49,039	45,611	49,039	43,152
Securities on issue at 31 December 2015	49,039	45,611	49,039	43,152

5. DISTRIBUTIONS PAID AND PROPOSED

	AHF Consolidated 31 Dec 2015 \$'000	AHF Consolidated 31 Dec 2014 \$'000	AHT Consolidated 31 Dec 2015 \$'000	AHT Consolidated 31 Dec 2014 \$'000
(a) Distributions paid during the period				
June 2015 quarter: 0.5 cents per stapled security (2014: 0.5 cents)	245	245	245	245
September 2015 quarter: 0.5 cents per stapled security (2014: 0.5 cents)	246	245	246	245
	491	490	491	490
(b) Distributions proposed and not recognised as a liability[^]				
December 2015 quarter: 0.5 cents per stapled security (2014: 0.5 cents)	245	245	245	245

[^] The final distribution of 0.50 cents per stapled security was declared on 1 January 2016. The distribution paid on 5 February 2016 was \$0.245 million. No provision for the distribution has been recognised in the balance sheet at 31 December 2015 as the distribution had not been declared by the end of the half-year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

6. INVESTMENT PROPERTIES

A reconciliation of the carrying amount of 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 3:

	AHF Consolidated 31 Dec 2015 \$'000	AHF Consolidated 30 Jun 2015 \$'000	AHT Consolidated 31 Dec 2015 \$'000	AHT Consolidated 30 Jun 2015 \$'000
Carrying amount at beginning of the financial period	-	-	108,413	145,191
Additions and capital expenditure	-	-	318	1,069
Fair value movements	-	-	10,341	(2,390)
Disposal	-	-	-	(35,779)
Effect of movements in foreign exchange	-	-	-	322
Carrying amount at end of the period	-	-	119,072	108,413

The valuation policies followed at 31 December 2015 are the same as followed for the Annual Financial Report as at 30 June 2015.

During the half-year ended 31 December 2015, 66.7% (30 June 2015: 0%) of the number of investment properties in the portfolio was subject to external valuations, the remaining 33.3% (30 June 2015: 100%) was subject to internal valuations.

The majority of the investment properties are used as security for secured bank debt outlined in Note 2.

7. COMMITMENTS AND CONTINGENCIES

There are no contingent assets or liabilities at 31 December 2015 other than as disclosed in this report.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The half-year financial report should be read in conjunction with the Annual Financial Report of Abacus Hospitality Fund and Abacus Hospitality Trust for the year ended 30 June 2015. It is also recommended that the half-year financial report be considered together with any public announcements made by the Abacus Hospitality Fund during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Changes in accounting policy and disclosers

The Fund and the Trust have adopted the following new or amended standards which became applicable on 1 July 2015:

- AASB 2015-3 – Amendments to Australian Accounting Standards arising from the Withdrawal of AASB1031 *Materiality*
- AASB 2015-4 – Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent

The adoption of these amended standards has no material impact on the financial statements of the Fund and the Trust.

9. EVENTS AFTER BALANCE SHEET DATE

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

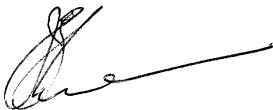
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Abacus Hospitality Fund and Abacus Funds Management Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Fund and the Trust are in accordance with the *Corporations Act 2001*, including :
 - (i) giving a true and fair view of the financial position as at 31 December 2015 and the performance for the half-year ended on that date for the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- (b) there are reasonable grounds to believe that the Fund and the Trust will be able to pay its debts as and when they become due and payable.

On behalf of the Board



John Thame
Chairman
Sydney, 29 February 2016



Frank Wolf
Managing Director

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

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Abacus Hospitality Fund, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated Income Statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Fund.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the financial positions of the Fund and the Trust as at 31 December 2015 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund and Trust and the entities they controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

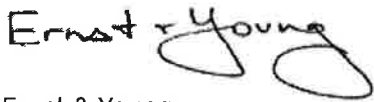
Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated financial position of the Fund and Trust as at 31 December 2015 and of their performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Kathy Parsons
Partner
Sydney
29 February 2016