

HALF YEAR FINANCIAL REPORT

31 December 2016

Directory**Abacus Funds Management Limited**

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Ernst & Young

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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 2016. 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 2016**

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 2016 with the independent review report thereon.

The consolidated financial reports of AHF for the half-year ended 31 December 2016 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 (resigned 27 October 2016) |
| 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 2016 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 \$12.7 million for the half-year ended 31 December 2016 (December 2015: \$4.2 million) which includes the profit on the sale of two hotels.

The Fund will continue its managed sell down of assets with the objective that the sales will be completed by 30 June 2017.

The financial statements have been prepared on a liquidation basis in accordance with a meeting of security holders held on 5 June 2012 which resolved that the assets of the Fund be sold and net proceeds distributed by 30 June 2017.

DIRECTORS' REPORT

31 December 2016

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 32% at 31 December 2016 (June 2016: 33%).

DIRECTORS' REPORT

| | 31-Dec-16 | 30-Jun-16 |
|-----------------------------------|-----------|-----------|
| Total assets (\$ '000) | 98,974 | 140,750 |
| Gearing (%) ¹ | 32.0 | 33.0 |
| Net assets/(deficiency) (\$ '000) | (4,215) | (14,579) |
| 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 0.75 cents per stapled security was paid on 8 February 2017. Distributions are paid on a quarterly basis.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

ROUNDING

The amounts contained in this report and in the half year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the group under ASIC Corporations Instrument 2016/191. The Fund and the Trust are entities to which the instrument 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

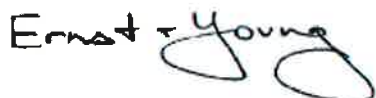
Sydney, March 2017

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 2016, 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
10 March 2017

CONSOLIDATED INCOME STATEMENT
HALF-YEAR ENDED 31 DECEMBER 2016

| | AHF Consolidated 31 Dec 2016 \$'000 | AHF Consolidated 31 Dec 2015 \$'000 | AHT Consolidated 31 Dec 2016 \$'000 | AHT Consolidated 31 Dec 2015 \$'000 |
|--|--|--|--|--|
| REVENUE | | | | |
| Hotel income | 22,893 | 29,004 | - | - |
| Rental income | - | - | 3,403 | 3,919 |
| Finance income | 61 | 63 | 37 | 35 |
| Total Revenue | 22,954 | 29,067 | 3,440 | 3,954 |
| OTHER INCOME | | | | |
| Net change in fair value of financial instruments held at balance date | - | 524 | - | 524 |
| Net change in fair value of financial instruments derecognised | 268 | - | 268 | - |
| Net change in fair value of hotel property, plant & equipment held at balance date | - | 3,031 | - | - |
| Net change in fair value of hotel property, plant & equipment derecognised | 11,817 | - | - | - |
| Net change in fair value of investment properties held at balance date | - | - | 12,390 | 10,341 |
| Net change in fair value of investment properties derecognised | - | - | 3,903 | - |
| Other income | (16) | 40 | (16) | 40 |
| Total Revenue and Other Income | 35,023 | 32,662 | 19,985 | 14,859 |
| Employee benefits expense | (8,281) | (10,831) | - | - |
| Hotel expenses | (6,047) | (7,698) | - | - |
| Cost of sales | (2,926) | (3,773) | - | - |
| Finance costs | (2,341) | (2,896) | (2,341) | (2,896) |
| Depreciation, amortisation and impairment expense | - | (1,798) | - | - |
| Administrative and other expenses | (562) | (620) | (530) | (614) |
| Property expenses and outgoings | (184) | (236) | (48) | (103) |
| PROFIT BEFORE TAX | 14,682 | 4,810 | 17,066 | 11,246 |
| Income tax expense | (1,989) | (632) | - | - |
| NET PROFIT AFTER TAX | 12,693 | 4,178 | 17,066 | 11,246 |
| PROFIT ATTRIBUTABLE TO: | | | | |
| AHL members | 6,300 | 1,464 | - | - |
| AHT members | 6,393 | 2,714 | 17,066 | 11,246 |
| NET PROFIT | 12,693 | 4,178 | 17,066 | 11,246 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
HALF-YEAR ENDED 31 DECEMBER 2016

| | AHF Consolidated 31 Dec 2016 \$'000 | AHF Consolidated 31 Dec 2015 \$'000 | AHT Consolidated 31 Dec 2016 \$'000 | AHT Consolidated 31 Dec 2015 \$'000 |
|---|--|--|--|--|
| NET PROFIT AFTER TAX | 12,693 | 4,178 | 17,066 | 11,246 |
| OTHER COMPREHENSIVE INCOME / (EXPENSE) | | | | |
| Revaluation of assets reclassified to the income statement, net of tax | (1,716) | - | - | - |
| <i>Items that will not be reclassified subsequently to the income statement</i> | | | | |
| Revaluation of assets, net of tax | - | 8,532 | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 10,977 | 12,710 | 17,066 | 11,246 |
| Total comprehensive income attributable to: | | | | |
| Members of the parent entity (AHL) | 6,300 | 1,464 | - | - |
| Members of other stapled entity: | | | | |
| Non-controlling interest - Abacus Hospitality Trust | 4,677 | 11,246 | 17,066 | 11,246 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 10,977 | 12,710 | 17,066 | 11,246 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

| | | AHF Consolidated 31 Dec 2016 \$'000 | AHF Consolidated 30 Jun 2016 \$'000 | AHT Consolidated 31 Dec 2016 \$'000 | AHT Consolidated 30 Jun 2016 \$'000 |
|---|--------------|--|--|--|--|
| | Notes | | | | |
| CURRENT ASSETS | | | | | |
| Hotel property, plant and equipment held for sale | 1 | 67,610 | 130,000 | - | - |
| Cash and cash equivalents | | 28,618 | 5,925 | 25,828 | 2,752 |
| Inventory | | 223 | 352 | - | - |
| Trade and other receivables | | 1,559 | 1,560 | 254 | 30 |
| Other | | 341 | 412 | - | 188 |
| Deferred Tax assets | | 623 | 2,501 | - | - |
| Hotel Investment properties held for sale | 6 | - | - | 76,972 | 124,043 |
| Related party receivables | | - | - | - | 10,334 |
| TOTAL CURRENT ASSETS | | 98,974 | 140,750 | 103,054 | 137,347 |
| TOTAL ASSETS | | 98,974 | 140,750 | 103,054 | 137,347 |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | | 6,032 | 6,996 | 106 | 303 |
| Interest-bearing loans and borrowings | 2(a) | 95,554 | 144,745 | 95,554 | 144,745 |
| Provisions | | 1,268 | 1,788 | - | - |
| Derivatives at fair value | | - | 1,576 | - | 1,576 |
| Deferred Tax liabilities | | 335 | 224 | - | - |
| Related party payables | | - | - | 218 | - |
| TOTAL CURRENT LIABILITIES | | 103,189 | 155,329 | 95,878 | 146,624 |
| TOTAL LIABILITIES | | 103,189 | 155,329 | 95,878 | 146,624 |
| NET ASSETS / (LIABILITIES) | | (4,215) | (14,579) | 7,176 | (9,277) |
| TOTAL EQUITY | | (4,215) | (14,579) | 7,176 | (9,277) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2016

| | | AHF | AHF | AHT | AHT |
|---|-------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | Notes | Consolidated 31 Dec 2016 \$'000 | Consolidated 30 Jun 2016 \$'000 | Consolidated 31 Dec 2016 \$'000 | Consolidated 30 Jun 2016 \$'000 |
| Equity attributable to members of AHL: | | | | | |
| Contributed equity | | 2,459 | 2,459 | - | - |
| Accumulated losses | | (1,460) | (7,761) | - | - |
| Total equity attributable to members of AHL: | | 999 | (5,302) | - | - |
| Equity attributable to unitholders of AHT: | | | | | |
| Contributed equity | | 43,152 | 43,152 | 43,152 | 43,152 |
| Reserves | | 7,447 | 9,163 | - | - |
| Accumulated losses | | (55,813) | (61,592) | (35,976) | (52,429) |
| Total equity attributable to unitholders of AHT: | | (5,214) | (9,277) | 7,176 | (9,277) |
| TOTAL EQUITY | | (4,215) | (14,579) | 7,176 | (9,277) |
| Contributed equity | 4 | 45,611 | 45,611 | 43,152 | 43,152 |
| Reserves | | 7,447 | 9,163 | - | - |
| Accumulated losses | | (57,273) | (69,353) | (35,976) | (52,429) |
| TOTAL EQUITY | | (4,215) | (14,579) | 7,176 | (9,277) |

CONSOLIDATED STATEMENT OF CASH FLOW
HALF-YEAR ENDED 31 DECEMBER 2016

| | AHF Consolidated 31 Dec 2016 \$'000 | AHF Consolidated 31 Dec 2015 \$'000 | AHT Consolidated 31 Dec 2016 \$'000 | AHT Consolidated 31 Dec 2015 \$'000 |
|---|--|--|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Income receipts | 20,098 | 24,889 | 4,217 | 5,084 |
| Interest received | 61 | 63 | 38 | 30 |
| Finance costs paid | (1,701) | (2,285) | (1,701) | (2,285) |
| Operating payments | (16,584) | (20,523) | (685) | (1,179) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 1,874 | 2,144 | 1,869 | 1,650 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | (265) | (1,135) | (66) | (318) |
| Disposal of property, plant and equipment | 72,755 | - | 63,431 | - |
| Proceeds from loans by related entities | - | - | 9,513 | (1,160) |
| NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES | 72,490 | (1,135) | 72,878 | (1,478) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Repayment of borrowings | (51,042) | - | (51,042) | - |
| Distributions paid | (613) | (491) | (613) | (491) |
| NET CASH FLOWS USED IN FINANCING ACTIVITIES | (51,655) | (491) | (51,655) | (491) |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | 22,709 | 518 | 23,092 | (319) |
| Net foreign exchange differences | (16) | 43 | (16) | 40 |
| Cash and cash equivalents at beginning of period | 5,925 | 7,222 | 2,752 | 3,987 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 28,618 | 7,783 | 25,828 | 3,708 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
HALF-YEAR ENDED 31 DECEMBER 2016

| Consolidated AHF - 2017 | Attributable to the stapled security holder | | | |
|--|---|---------------------------|-------------------|----------------|
| | Issued capital | Asset revaluation reserve | Retained earnings | Total Equity |
| CONSOLIDATED | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 July 2016 | 45,611 | 9,163 | (69,353) | (14,579) |
| Other comprehensive expense | - | (1,716) | - | (1,716) |
| Net income for the period | - | - | 12,693 | 12,693 |
| Total comprehensive income for the period | - | (1,716) | 12,693 | 10,977 |
| Distribution to security holders | - | - | (613) | (613) |
| At 31 December 2016 | 45,611 | 7,447 | (57,273) | (4,215) |

| Consolidated AHF - 2016 | Attributable to the stapled security holder | | | |
|--|---|---------------------------|-------------------|-----------------|
| | Issued capital | Asset revaluation reserve | Retained earnings | Total Equity |
| CONSOLIDATED | \$'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 STATEMENT OF CHANGES IN EQUITY (continued)
HALF-YEAR ENDED 31 DECEMBER 2016

| Consolidated AHT - 2017 | Attributable to the stapled security holder | | |
|--|---|--------------------------------|---------------------------|
| CONSOLIDATED | Issued capital \$'000 | Retained earnings \$'000 | Total Equity \$'000 |
| At 1 July 2016 | 43,152 | (52,429) | (9,277) |
| Net income for the period | - | 17,066 | 17,066 |
| Total comprehensive income for the period | - | 17,066 | 17,066 |
| Distribution to unit holders | - | (613) | (613) |
| At 31 December 2016 | 43,152 | (35,976) | 7,176 |

| Consolidated AHT - 2016 | Attributable to the stapled security holder | | |
|--|---|--------------------------------|---------------------------|
| CONSOLIDATED | Issued capital \$'000 | Retained earnings \$'000 | Total Equity \$'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) |

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31 DECEMBER 2016

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NOTES TO THE FINANCIAL STATEMENTS – About this Report

31 DECEMBER 2016

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 2016 are authorised for issue in accordance with a resolution of the directors of Abacus Hospitality Limited ("the Company") and Abacus Funds Management Limited on 17 February 2017.

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 2016, AHF has a net asset deficiency of \$4.2m (June 2016: \$14.6m). The Property, Plant and Equipment has a fair value of \$80.0m which is in excess of its carrying value of \$67.6m. Taking this into consideration, a net asset position is recoverable based on its fair value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. HOTEL PROPERTY, PLANT AND EQUIPMENT

The following table is a reconciliation of the movements of property, plant and equipment for the half-year ended 31 December 2016.

| | AHF Consolidated 31 Dec 2016 \$'000 | AHF Consolidated 30 Jun 2016 \$'000 |
|---|--|--|
| Property | | |
| Australian Hotels | 67,610 | 130,000 |
| | 67,610 | 130,000 |
| Average market capitalisation rate | 7.00% | 7.83% |
| | | |
| | AHF Consolidated 31 Dec 2016 \$'000 | AHF Consolidated 30 Jun 2016 \$'000 |
| Land and buildings | | |
| At the beginning of the period, net of accumulated depreciation | 121,411 | 104,374 |
| Additions | 53 | 630 |
| Fair value movement through the income statement | - | 8,513 |
| Fair value movement through comprehensive income | - | 8,812 |
| Disposal | (61,964) | - |
| Depreciation charge for the period | - | (918) |
| At the end of the period net of accumulated depreciation | 59,500 | 121,411 |
| Gross value | 68,811 | 137,106 |
| Accumulated depreciation | (9,311) | (15,695) |
| Net carrying amount at end of period | 59,500 | 121,411 |
| Plant and equipment | | |
| At the beginning of the period, net of accumulated depreciation | 8,589 | 9,656 |
| Additions | 57 | 1,637 |
| Disposals | (536) | - |
| Depreciation charge for the period | - | (2,704) |
| At the end of the period net of accumulated depreciation | 8,110 | 8,589 |
| Gross value | 20,669 | 32,429 |
| Accumulated depreciation | (12,559) | (23,840) |
| Net carrying amount at end of period | 8,110 | 8,589 |
| Total | 67,610 | 130,000 |

If property, plant and equipment was carried under the cost model, the carrying amount would be \$50.5m (30 June 2016: \$112.9m).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2. INTEREST BEARING LOANS AND BORROWINGS

| | AHF Consolidated 31 Dec 2016 \$'000 | AHF Consolidated 30 Jun 2016 \$'000 | AHT Consolidated 31 Dec 2016 \$'000 | AHT Consolidated 30 Jun 2016 \$'000 |
|---|--|--|--|--|
| (a) Current | | | | |
| Loans from related parties ¹ | 95,554 | 95,172 | 95,554 | 95,172 |
| Bank loans - A\$ | - | 49,733 | - | 49,733 |
| Less: Unamortised borrowing costs | - | (160) | - | (160) |
| | 95,554 | 144,745 | 95,554 | 144,745 |
| (b) Maturity profile of current interest bearing loans | | | | |
| Due within one year | 95,554 | 144,745 | 95,554 | 144,745 |
| | 95,554 | 144,745 | 95,554 | 144,745 |

1. Loans are provided by Abacus related entities. The rate was increased to 3.0% for the year (30 June 2016: 2.0%). The loan is anticipated to mature by June 2017 and thus has a remaining term to maturity of 0.5 years. This loan ranks equally with other unitholders upon liquidation of AHF to the extent of a deficit/shortfall to issue price.

(c) Assets pledged as security

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

| | AHF Consolidated 31 Dec 2016 \$'000 | AHF Consolidated 30 Jun 2016 \$'000 | AHT Consolidated 31 Dec 2016 \$'000 | AHT Consolidated 30 Jun 2016 \$'000 |
|---|--|--|--|--|
| Current | | | | |
| <i>First mortgage</i> | | | | |
| Property, plant and equipment | - | 130,000 | - | - |
| Investment properties | - | - | - | 124,043 |
| Total assets pledged as security | - | 130,000 | - | 124,043 |

(d) 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

31 DECEMBER 2016

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 |
| 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 2016

4. CONTRIBUTED EQUITY

| | AHF Consolidated 31 Dec 2016 \$'000 | AHF Consolidated 30 Jun 2016 \$'000 | AHT Consolidated 31 Dec 2016 \$'000 | AHT Consolidated 30 Jun 2016 \$'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 |

5. DISTRIBUTIONS PAID AND PROPOSED

| | AHF Consolidated 31 Dec 2016 \$'000 | AHF Consolidated 31 Dec 2015 \$'000 | AHT Consolidated 31 Dec 2016 \$'000 | AHT Consolidated 31 Dec 2015 \$'000 |
|---|--|--|--|--|
| (a) Distributions paid during the period | | | | |
| June 2016 quarter: 0.5 cents per stapled security (2015: 0.5 cents) | 245 | 245 | 245 | 245 |
| September 2016 quarter: 0.75 cents per stapled security (2015: 0.5 cents) | 368 | 246 | 368 | 246 |
| | 613 | 491 | 613 | 491 |
| (b) Distributions proposed and not recognised as a liability[^] | | | | |
| December 2016 quarter: 0.75 cents per stapled security (2015: 0.5 cents) | 368 | 245 | 368 | 245 |

[^] The final distribution of 0.75 cents per stapled security was declared on 1 January 2017. The distribution paid on 8 February 2017 was \$0.368 million. No provision for the distribution has been recognised in the balance sheet at 31 December 2016 as the distribution had not been declared by the end of the half-year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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 2016 \$'000 | AHF Consolidated 30 Jun 2016 \$'000 | AHT Consolidated 31 Dec 2016 \$'000 | AHT Consolidated 30 Jun 2016 \$'000 |
|--|--|--|--|--|
| Carrying amount at beginning of the financial period | - | - | 124,043 | 108,413 |
| Additions and capital expenditure | - | - | 53 | 755 |
| Fair value movements | - | - | 12,390 | 14,875 |
| Disposal | - | - | (59,514) | - |
| Carrying amount at end of the period | - | - | 76,972 | 124,043 |

The valuation policies followed at 31 December 2016 are the same as followed for the Annual Financial Report as at 30 June 2016.

During the half-year ended 31 December 2016, none of the investment properties in the portfolio were subject to external valuations (30 June 2016: 67%).

7. COMMITMENTS AND CONTINGENCIES

There are no contingent assets or liabilities at 31 December 2016 other than as disclosed in this report.

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER 2016****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 financial statements have been prepared on a liquidation basis in accordance with a meeting of security holders held on 5 June 2012 which resolved that the assets of the Fund be sold and proceeds distributed by 30 June 2017.

Whilst the measurement and recognition requirements of accounting standards have been complied with, the presentation of balances has been adjusted to better reflect the expected liquidation of the Fund. As such, all the assets and liabilities of the Fund are recorded as current as they are expected to be realised within 12 months of the balance sheet date through a realisation and wind up process.

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 2016. 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 2016 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Fund's and Trust's annual consolidated financial statements for the year ended 30 June 2016, except for the adoption of new standards and interpretations effective as of 1 July 2016.

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

- AASB 2014-4 – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 1057 – Application of Accounting Standards
- AASB 2015-1 – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 – Disclosure Initiative: Amendments for AASB 101 Presentation of Financial Statements
- AASB 2015-9 – Scope and Application Paragraphs (AASB 8, AASB 133 and AASB 1057)

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 2016 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, March 2017



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 2016, 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 2016 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 2016 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*.

Basis of preparation

Without modifying our conclusion we draw attention to Note 8 of the half-year financial report which describes the basis of preparation. It is the Responsible Entity's intention to wind up Abacus Hospitality Fund prior to the next year end. As a result, the half-year financial report has been prepared on a liquidation basis.



Ernst & Young



Kathy Parsons
Partner
Sydney
10 March 2017