ANNUAL FINANCIAL REPORT

30 June 2017

Directory

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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
Myra Salkinder
Peter Spira

Company Secretary:
Robert Baulderstone

Auditor (Financial and Compliance Plan):
Ernst & Young
Ernst & Young Centre
200 George Street
SYDNEY NSW 2000

Share Registry:
Boardroom Pty Ltd
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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 2017

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 2017 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 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 made a profit after tax of $11.8 million for the year ended 30 June 2017 (2016: $8.6 million).

The increase in the net profit was mainly due to the sale of the two hotels in Cairns during the year.

The Fund will continue with its managed sell down of the remaining hotel, Twin Waters on the Sunshine Coast when market conditions for this hotel improve. As the property has been withdrawn from sale it has been reclassified as non-current.

At the year end, the Fund had 1 hotel comprising 374 rooms (2016: 3 hotels comprising 862 rooms). The weighted average capitalisation rate was 7.00%.

INDIRECT COST RATIO

The Indirect Cost Ratio is the ratio of the Trust's management costs over the Fund's average net assets 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 2017 was 1.74% (2016: 1.91%).

REVIEW OF FINANCIAL CONDITION

The bank loans were repaid following the sale of two hotels during the year. The remaining loan of $95.9 million is owed to Abacus Finance Pty Ltd and ranks equally with unit holders upon liquidation of the Fund to the extent of a deficit to the issue price of units in the fund.

DISTRIBUTIONS

The Fund and the Trust distributions in respect of the year ended 30 June 2017 were $1.5 million (June 2016: $1.0 million), which is equivalent to 3.00 cents per stapled security (June 2016: 2.0 cents). This distribution includes 0.75 cents ($0.37 million) that was paid on 8 August 2017. 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 2017 there were 49.04 million stapled securities on issue (2016: 49.04 million).

DIRECTORS' REPORT

30 June 2017

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.

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 2017

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.

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

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

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.

Robert Baulderstone BA, CA, FCIS Company Secretary and Chief Financial Officer

Mr Baulderstone has been the Company Secretary since February 2017. He has been a chartered accountant for over 25 years.

DIRECTORS' REPORT

30 June 2017

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

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.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount) – except for any loss in respect of any matters which are finally determined to have resulted from Ernst & Young's negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the financial year.

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 2016/191. 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, 18 August 2017

Building a better
working world

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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 audit of Abacus Hospitality Fund for the financial year ended 30 June 2017, 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Abacus Hospitality Fund and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Kathy Parsons
Partner
18 August 2017

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 30 JUNE 2017

	Notes	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
REVENUE					
Rental income		-	-	5,980	7,899
Hotel income		35,462	53,271	-	-
Finance income		351	126	309	69
Total Revenue		**35,813**	**53,397**	**6,289**	**7,968**
OTHER INCOME					
Net change in fair value of financial instrument held at balance date		148	1,021	148	1,021
Net change in fair value of hotel property, plant and equipment		-	8,513	-	-
Net change in fair value of hotel investment property held at balance date		-	-	12,282	14,875
Net change in fair value of financial instruments derecognised		120	-	120	-
Net change in fair value of hotel property, plant and equipment derecognised		11,076	-	-	-
Net change in fair value of investment properties derecognised		-	-	3,163	-
Other income	1	14	50	1	53
Total Revenue and Other Income		**47,171**	**62,981**	**22,003**	**23,917**
Cost of sales		(4,495)	(6,797)	-	-
Property expenses & outgoings		(319)	(473)	(48)	(206)
Other hotel expenses		(9,317)	(14,934)	-	-
Depreciation and amortisation expense	2(a)	-	(3,622)	-	-
Finance costs	2(b)	(3,762)	(5,766)	(3,762)	(5,766)
Employee benefits expense	2(c)	(13,827)	(21,235)	-	-
Administrative and other expenses		(1,367)	(1,294)	(1,286)	(1,286)
PROFIT BEFORE TAX		**14,084**	**8,860**	**16,907**	**16,659**
Income tax (expense) / benefit	3(a)	(2,277)	(290)	-	19
NET PROFIT AFTER TAX		**11,807**	**8,570**	**16,907**	**16,678**
Net profit attributable to:					
AHL members		5,465	704	-	-
AHT members		6,342	7,866	16,907	16,678
NET PROFIT		**11,807**	**8,570**	**16,907**	**16,678**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 30 JUNE 2017

	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
NET PROFIT AFTER TAX	11,807	8,570	16,907	16,678
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to the income statement				
Revaluation of assets, nil tax effect	10,565	8,812	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**22,372**	**17,382**	**16,907**	**16,678**
Total comprehensive income attributable to:				
Members of the parent entity (AHL)	5,465	704	-	-
Members of other stapled entity:				
Non-Controlling interest - Abacus Hospitality Trust	16,907	16,678	16,907	16,678
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**22,372**	**17,382**	**16,907**	**16,678**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
CURRENT ASSETS					
Hotel property, plant and equipment held for sale	4	-	130,000	-	-
Cash and cash equivalents	5	28,037	5,925	25,887	2,752
Inventory		214	352	-	-
Trade and other receivables		211	1,560	-	30
Other		141	412	-	188
Deferred Tax assets	3(c)	-	2,501	-	-
Hotel Investment properties held for sale	12	-	-	-	124,043
Related party receivables		-	-	-	10,334
TOTAL CURRENT ASSETS		**28,603**	**140,750**	**25,887**	**137,347**
NON-CURRENT ASSETS					
Hotel property, plant and equipment	4	80,000	-	-	-
Hotel Investment properties	12	-	-	76,910	-
TOTAL NON-CURRENT ASSETS		**80,000**	**-**	**76,910**	**-**
TOTAL ASSETS		**108,603**	**140,750**	**102,797**	**137,347**
CURRENT LIABILITIES					
Trade and other payables		5,295	6,996	98	303
Interest-bearing loans and borrowings	7(a)	-	144,745	-	144,745
Provisions		438	1,788	-	-
Derivatives at fair value		-	1,576	-	1,576
Deferred Tax liabilities	3(c)	-	224	-	-
TOTAL CURRENT LIABILITIES		**5,733**	**155,329**	**98**	**146,624**
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	7(b)	95,935	-	95,935	-
Related party payables		-	-	483	-
Provisions		491	-	-	-
TOTAL NON-CURRENT LIABILITIES		**96,426**	**-**	**96,418**	**-**
TOTAL LIABILITIES		**102,159**	**155,329**	**96,516**	**146,624**
NET ASSETS / (LIABILITIES)		**6,444**	**(14,579)**	**6,281**	**(9,277)**
TOTAL EQUITY		**6,444**	**(14,579)**	**6,281**	**(9,277)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 30 JUNE 2017

	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
Equity attributable to members of AHL:				
Contributed equity	2,459	2,459	-	-
Accumulated losses	(2,296)	(7,761)	-	-
Total equity attributable to members of AHL:	**163**	**(5,302)**	-	-
Equity attributable to members of AHT:				
Contributed equity	43,152	43,152	43,152	43,152
Reserves	19,728	9,163	-	-
Accumulated losses	(56,599)	(61,592)	(36,871)	(52,429)
Total equity attributable to unitholders of AHT:	**6,281**	**(9,277)**	**6,281**	**(9,277)**
TOTAL EQUITY	**6,444**	**(14,579)**	**6,281**	**(9,277)**

	Notes	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
EQUITY					
Contributed equity	9	45,611	45,611	43,152	43,152
Reserves		19,728	9,163	-	-
Accumulated losses		(58,895)	(69,353)	(36,871)	(52,429)
TOTAL EQUITY		**6,444**	**(14,579)**	**6,281**	**(9,277)**

CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED 30 JUNE 2017

	Notes	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Income receipts		36,998	53,492	4,058	11,116
Interest received		351	126	309	69
Income tax paid		-	-	-	23
Borrowing cost paid		(2,741)	(5,152)	(2,741)	(5,152)
Operating payments		(31,731)	(45,069)	(1,467)	(1,846)
NET CASH FLOWS FROM OPERATING ACTIVITIES	5	**2,877**	**3,397**	**159**	**4,210**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(373)	(2,267)	(112)	(756)
Disposal of property, plant and equipment		72,015	-	-	-
Disposal of investment property		-	-	62,691	-
Repayment of loans by related entities		-	-	12,804	(2,262)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**71,642**	**(2,267)**	**75,383**	**(3,018)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(51,042)	(1,500)	(51,042)	(1,500)
Distributions paid		(1,349)	(980)	(1,349)	(980)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(52,391)**	**(2,480)**	**(52,391)**	**(2,480)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		22,128	(1,350)	23,151	(1,288)
Net foreign exchange differences		(16)	53	(16)	53
Cash and cash equivalents at beginning of year		5,925	7,222	2,752	3,987
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**28,037**	**5,925**	**25,887**	**2,752**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2017

Consolidated AHF - 2017	Attributable to the stapled security holder			
CONSOLIDATED	Issued capital $'000	Asset revaluation reserve $'000	Accumulated Losses $'000	Total Equity $'000
At 1 July 2016	**45,611**	**9,163**	**(69,353)**	**(14,579)**
Other comprehensive income	-	10,565	-	10,565
Net profit for the year	-	-	11,807	11,807
Total comprehensive income for the year	**-**	**10,565**	**11,807**	**22,372**
Distribution to security holders	-	-	(1,349)	(1,349)
At 30 June 2017	**45,611**	**19,728**	**(58,895)**	**6,444**

Consolidated AHF - 2016	Attributable to the stapled security holder			
CONSOLIDATED	Issued capital $'000	Asset revaluation reserve $'000	Accumulated Losses $'000	Total Equity $'000
At 1 July 2015	**45,611**	**351**	**(76,943)**	**(30,981)**
Other comprehensive income	-	8,812	-	8,812
Net profit for the year	-	-	8,570	8,570
Total comprehensive income for the year	**-**	**8,812**	**8,570**	**17,382**
Distribution to security holders	-	-	(980)	(980)
At 30 June 2016	**45,611**	**9,163**	**(69,353)**	**(14,579)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2017

Consolidated AHT - 2017	Attributable to the unit holder		
CONSOLIDATED	Issued capital $'000	Accumulated Losses $'000	Total Equity $'000
At 1 July 2016	**43,152**	**(52,429)**	**(9,277)**
Net profit for the year	-	16,907	16,907
Total comprehensive income for the year	**-**	**16,907**	**16,907**
Distribution to unit holders	-	(1,349)	(1,349)
At 30 June 2017	**43,152**	**(36,871)**	**6,281**

Consolidated AHT - 2016	Attributable to the unit holder		
CONSOLIDATED	Issued capital $'000	Accumulated Losses $'000	Total Equity $'000
At 1 July 2015	**43,152**	**(68,127)**	**(24,975)**
Net profit for the year	-	16,678	16,678
Total comprehensive income for the year	**-**	**16,678**	**16,678**
Distribution to unit holders	-	(980)	(980)
At 30 June 2016	**43,152**	**(52,429)**	**(9,277)**

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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 financial information	12. Investment properties
2. Expenses		6. Capital management		13. Commitments and contingencies
3. Income tax		7. Interest bearing loans and borrowings		14. Related party disclosures
		8. Financial instruments		15. Key management personnel
		9. Contributed equity		16. Deed of cross guarantee
		10. Distributions paid and proposed		17. Summary of significant accounting policies
				18. Auditors remuneration
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30 JUNE 2017

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 2017 are authorised for issue in accordance with a resolution of the Directors of Abacus Hospitality Limited (“the Company”) and Abacus Funds Management Limited on 18 August 2017

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 and property, plant and equipment (Note 17(l)) and (Note 17(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 and property, plant & equipment may differ and may need to be re-estimated.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2017

1. REVENUE

	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
Other Income				
Sundry Income	14	50	1	53
Total other income	**14**	**50**	**1**	**53**

2. EXPENSES

	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
(a) Depreciation and amortisation expense				
Depreciation of property, plant and equipment - hotels	-	3,622	-	-
Total depreciation and amortisation expense	**-**	**3,622**	**-**	**-**
(b) Finance costs				
Interest on bank loans	738	3,678	738	3,678
Interest on related party loans	2,864	1,908	2,864	1,908
Amortisation of finance costs	160	180	160	180
Total finance costs	**3,762**	**5,766**	**3,762**	**5,766**
(c) Employee benefits expense				
Wages and salaries	12,180	18,453	-	-
Leave provisions	163	613	-	-
Other	1,484	2,169	-	-
Total employee benefits expense	**13,827**	**21,235**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2017

3. INCOME TAX

	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
(a) Income tax expense				
The major components of income tax expense are:				
Income Statement				
Current income tax charge	704	395	-	-
Adjustments in respect of current income tax of previous years	1,240	(20)	-	(19)
Movement in depreciable assets tax depreciation	264	(22)	-	-
Relating to origination and reversal of temporary differences	469	(63)	-	-
Unrecognised tax losses brought to account	(400)	-	-	-
Income tax expense / (benefit) reported in the income statement	**2,277**	**290**	**-**	**(19)**
(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 before income tax expense	14,084	8,860	16,907	16,659
Prima facie income tax expense / (benefit) calculated at 30% (AU)	4,225	2,658	5,072	4,998
Less prima facie income tax expense / (benefit) on loss / (profit) from the Trust	(1,902)	(2,354)	(5,072)	(4,998)
Prima Facie income tax of entities subject to income tax	2,323	304	-	-
Entertainment	5	6	-	-
Adjustment of prior year tax applied	1,240	(20)	-	(19)
Unrecognised tax losses brought to account	(400)	-	-	-
Other items (net)	(891)	-	-	-
Income tax expense / (benefit) reported in the consolidated income statement	**2,277**	**290**	**-**	**(19)**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2017

3. INCOME TAX (continued)

	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
(c) Recognised tax assets and liabilities				
At 30 June 2017 relates to the following:				
Tax liabilities				
Other	422	224	-	-
Gross income tax liabilities	**422**	**224**	-	-
Set off against income tax assets	(422)	**-**	-	-
Net income tax liabilities	**-**	**224**	-	-
Tax assets				
Losses available for offset against future taxable income	82	1,626	-	-
Employee provisions	279	536	-	-
Other	61	339	-	-
Gross income tax assets	**422**	**2,501**	**-**	**-**
Set off against income tax liabilities	(422)	**-**	**-**	**-**
Net income tax assets	**-**	**2,501**	**-**	**-**

Unrecognised temporary differences

At 30 June 2017, 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 (2016: $nil).

Losses available for offset against future gains

At 30 June 2017, the Fund has unrecognised tax losses of $0.6m (2016:$1.0m). 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 2017, 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
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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 2017.

	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000
Property		
Hotel [1]	80,000	130,000
	80,000	**130,000**
Average market capitalisation rate	7.00%	7.83%

1. The Fund sold 2 of its hotel properties during the year. The remaining property has been withdrawn from sale and reclassified as non-current.

	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000
Land and buildings		
At 1 July, net of accumulated depreciation	121,411	104,374
Additions	99	630
Fair value movement through the income statement	-	8,513
Fair value movement through comprehensive income	12,282	8,812
Disposal	(61,964)	-
Depreciation charge for the year	-	(918)
At 30 June, net of accumulated depreciation	**71,828**	**121,411**
Cost or fair value less costs to sell	81,139	137,106
Accumulated depreciation	(9,311)	(15,695)
Net carrying amount at end of year	**71,828**	**121,411**
Plant and equipment		
At 1 July, net of accumulated depreciation	8,589	9,656
Additions	108	1,637
Disposals	(525)	-
Depreciation charge for the year	-	(2,704)
At 30 June, net of accumulated depreciation	**8,172**	**8,589**
Cost or fair value	20,721	32,429
Accumulated depreciation	(12,549)	(23,840)
Net carrying amount at end of year	**8,172**	**8,589**
Total net carrying amount of Property, Plant and Equipment	**80,000**	**130,000**

If property, plant and equipment was carried under the cost model, the carrying amount would be $48.3m (2016: $112.9m).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

4. HOTEL PROPERTY, PLANT AND EQUIPMENT (continued)

Revaluation gain on property, plant and equipment:

Property, plant and equipment held in AHF relates to its hotel asset and is held at fair value at 30 June 2017. During the year, to reflect the recoverable amount, there was an increase in fair value of $10.6m which was recognised in the comprehensive income statement (2016: $8.5m increase). 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 2017, none (2016: 33%) 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 7.00% (2016: 7.83%).
- The current weighted average occupancy rate for the hotel properties is 79% (2016: 77%).

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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2017

5. CASH AND CASH EQUIVALENTS

	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
Reconciliation to Statement of Cash Flow				
For the purposes of the Statement of Cash Flow, cash and cash equivalents comprise the following at 30 June 2017:				
Cash at bank and in hand [1]	**28,037**	**5,925**	**25,887**	**2,752**

1. Cash at bank earns interest at floating rates. The carrying amounts of cash and cash equivalents represent fair value.

	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
Net profit	11,807	8,570	16,907	16,678
Adjustments for:				
Depreciation and amortisation expense	-	3,622	-	-
Amortisation of finance costs	160	180	160	180
Net change in fair value of financial instruments held at balance date	(148)	(1,021)	(148)	(1,021)
Net change in fair value of financial instruments derecognised	(120)	-	(120)	-
Net change in fair value of hotel property, plant and equipment held at balance date	(11,076)	(8,513)	-	-
Net change in fair value of investment property derecognised	-	-	(4,880)	-
Net change in fair value of investment property held at balance date	-	-	(10,565)	(14,875)
Foreign currency exchange difference	16	(50)	16	(50)
Increase/(decrease) in payables	447	453	524	270
(Increase)/decrease in receivables and other assets	1,791	156	(1,735)	3,028
Net cash from operating activities	**2,877**	**3,397**	**159**	**4,210**

(a) Disclosure of financing facilities

Refer to Note 7.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2017

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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2017

7. INTEREST BEARING LOANS AND BORROWINGS

	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
(a) Current				
Loans from related parties [1]	-	95,172	-	95,172
Bank loans - A$	-	49,733	-	49,733
Less: Unamortised borrowing costs	-	(160)	-	(160)
	-	**144,745**	**-**	**144,745**
(b) Non-current				
Loans from related parties [1]	95,935	-	95,935	-
	95,935	**-**	**95,935**	**-**
(c) Maturity profile of current and non-current interest bearing loans				
Due within one year	-	144,745	-	144,745
Due within two to five years	95,935	-	95,935	-
	95,935	**144,745**	**95,935**	**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 2019 and thus has a remaining term to maturity of 2.0 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 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
Non-current				
First mortgage				
Property, plant and equipment	-	130,000	-	-
Investment properties	-	-	-	124,043
Total assets pledged as security	**-**	**130,000**	**-**	**124,043**

(e) 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 2017

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 17.

(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 2017

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 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
Receivables	211	1,560	-	30
Related party receivables	-	-	-	10,334
Cash and cash equivalents	28,037	5,925	25,887	2,752
	28,248	**7,485**	**25,887**	**13,116**

As at 30 June 2017, the Fund and the Trust have the following concentrations of credit risk:

- Receivables: $0.2 million (2016: $1.1 million) was represented by trading receivables relating to the Hotel operations in AHL.

The following table illustrates grouping of the Fund's and the Trust's trade and other receivables. As noted in disclosure Note 6, 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	Total $'000	Original term [1] $'000	Extended term $'000	Past due term $'000	Impaired $'000
30 June 2017					
Trade and other receivables	211	183	26	2	-
30 June 2016					
Trade and other receivables	1,560	1,303	250	18	(11)

1. Terms are extended typically in recognition of hotel trading conditions (peak season) and agreement with vendors.

CONSOLIDATED AHT	Total $'000	Original term $'000	Extended term $'000	Past due term $'000	Impaired $'000
30 June 2017					
Trade and other receivables	-	-	-	-	-
30 June 2016					
Trade and other receivables	30	30	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

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.

As at 30 June 2017, the Fund and the Trust have cash of $28.0 million (2016: $5.9 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 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities					
Trade and other payables	5,295	5,295	5,295	-	-
Interest bearing loans and borrowings	95,935	101,691	2,878	98,813	-
Total liabilities	**101,230**	**106,986**	**8,173**	**98,813**	**-**

CONSOLIDATED AHF	Carrying Amount	Contractual cash flows	1 Year or less	Over 1 year to 5 years	Over 5 years
30 June 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities					
Trade and other payables	6,996	6,996	6,996	-	-
Interest bearing loans and borrowings	146,321	150,115	150,115	-	-
Total liabilities	**153,317**	**157,111**	**157,111**	**-**	**-**

CONSOLIDATED AHT	Carrying Amount	Contractual cash flows	1 Year or less	Over 1 year to 5 years	Over 5 years
30 June 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities					
Trade and other payables	98	98	98	-	-
Interest bearing loans and borrowings #	95,935	101,691	2,878	98,813	-
Total liabilities	**96,033**	**101,789**	**2,976**	**98,813**	**-**

CONSOLIDATED AHT	Carrying Amount	Contractual cash flows	1 Year or less	Over 1 year to 5 years	Over 5 years
30 June 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities					
Trade and other payables	303	303	303	-	-
Interest bearing loans and borrowings #	146,321	150,115	150,115	-	-
Total liabilities	**146,624**	**150,418**	**150,418**	**-**	**-**

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 2017

8. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk

Market risk is the risk that changes in market prices, such as interest rates 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.

Interest rate risk / Fair value interest rate risk

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 2017	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	28,037	-	-	-	-	28,037
Receivables	-	-	-	-	211	211
Total financial assets	**28,037**	**-**	**-**	**-**	**211**	**28,248**
Weighted average interest rate	1.60%					
Financial liabilities						
Related party loans	-	-	95,935	-	-	95,935
Payables	-	-	-	-	5,295	5,295
Total financial liabilities	**-**	**-**	**95,935**	**-**	**5,295**	**101,230**

CONSOLIDATED AHF 30 June 2016	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	5,925	-	-	-	-	5,925
Receivables	-	-	-	-	1,560	1,560
Total financial assets	**5,925**	**-**	**-**	**-**	**1,560**	**7,485**
Weighted average interest rate	1.85%					
Financial liabilities						
Interest bearing liabilities - bank	49,733	-	-	-	-	49,733
Related party loans	-	95,172	-	-	-	95,172
Derivatives	-	-	-	-	1,576	1,576
Payables	-	-	-	-	6,996	6,996
Total financial liabilities	**49,733**	**95,172**	**-**	**-**	**8,572**	**153,477**
Notional principal swap balance maturities*	-	30,000	-	-	-	30,000
Weighted average interest rate on drawn bank debt*	7.20%					

* rate calculated at 30 June

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2017

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 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Cash & cash equivalents	25,887	-	-	-	-	25,887
Total financial assets	**25,887**	**-**	**-**	**-**	**-**	**25,887**
Weighted average interest rate	1.60%					
Financial liabilities						
Related party loans	-	-	95,935	-	-	95,935
Payables	-	-	-	-	98	98
Total financial liabilities	**-**	**-**	**95,935**	**-**	**98**	**96,033**

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 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Cash & cash equivalents	2,752	-	-	-	-	2,752
Receivables	-	-	-	-	30	30
Total financial assets	**2,752**	**-**	**-**	**-**	**30**	**2,782**
Weighted average interest rate	1.85%					
Financial liabilities						
Interest bearing liabilities - bank	49,733	-	-	-	-	49,733
Related party loans	-	95,172	-	-	-	95,172
Derivatives	-	-	-	-	1,576	1,576
Payables	-	-	-	-	303	303
Total financial liabilities	**49,733**	**95,172**	**-**	**-**	**1,879**	**146,784**
Notional principal swap balance maturities* #	-	30,000	-	-	-	30,000
Weighted average interest rate on drawn bank debt*	7.20%					

* rate calculated at 30 June

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2017

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 2017	$'000	$'000	$'000	$'000	$'000
Financial assets	28,037	(280)	-	280	-
Financial liabilities	95,935	(959)	-	959	-

CONSOLIDATED AHF	Carrying amount	-1%		1%	
	Floating	Profit	Equity	Profit	Equity
30 June 2016	$'000	$'000	$'000	$'000	$'000
Financial assets	5,925	(59)	-	59	-
Financial liabilities	146,321	(1,085)	-	1,081	-

CONSOLIDATED AHT	Carrying amount	-1%		1%	
	Floating	Profit	Equity	Profit	Equity
30 June 2017	$'000	$'000	$'000	$'000	$'000
Financial assets	25,887	(259)	-	259	-
Financial liabilities	95,935	(959)	-	959	-

CONSOLIDATED AHT	Carrying amount	-1%		1%	
	Floating	Profit	Equity	Profit	Equity
30 June 2016	$'000	$'000	$'000	$'000	$'000
Financial assets	2,752	(28)	-	28	-
Financial liabilities	146,321	(1,085)	-	1,081	-

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

8. FINANCIAL INSTRUMENTS (continued)

(d) 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
30 JUNE 2017

9. CONTRIBUTED EQUITY

	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 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**

(b) Movement in securities on issue	AHF Issued securities		AHT Issued units	
	Number '000	Value '000	Number '000	Value '000
At 30 June 2016	49,039	45,611	49,039	43,152
Securities on issue at 30 June 2017	**49,039**	**45,611**	**49,039**	**43,152**

10. DISTRIBUTIONS PAID AND PROPOSED

	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
(a) Distributions paid during the year				
Jun 2016 quarter: 0.500 cents per security (2015: 0.500 cents)	245	245	245	245
Sep 2016 quarter: 0.750 cents per security (2015: 0.500 cents)	368	245	368	245
Dec 2016 quarter: 0.750 cents per security (2015: 0.500 cents)	368	245	368	245
Mar 2017 quarter: 0.750 cents per security (2016: 0.500 cents)	368	245	368	245
	1,349	**980**	**1,349**	**980**
(b) Distributions proposed and not recognised as a liability^				
Jun 2017 quarter: 0.750 cents per security (2016: 0.500 cents)	**368**	**245**	**368**	**245**

^ The final distribution of 0.75 cents per stapled security was declared on 1 July 2017. The distribution paid on 8 August 2017 was $0.368 million. No provision for the distribution has been recognised in the balance sheet at 30 June 2017 as the distribution had not been declared by the end of the year.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2017

11. PARENT ENTITY FINANCIAL INFORMATION

	AHF PARENT 2017 $'000	AHF PARENT 2016 $'000	AHT PARENT 2017 $'000	AHT PARENT 2016 $'000
Results of the parent entity				
Profit/(loss) for the year	4	(51)	9,224	(1,758)
Total comprehensive income / (expense) for the year	4	(51)	9,224	(1,758)
Financial position of the parent entity at year end				
Current assets	-	1,525	25,891	116,484
Total assets	**1,517**	**1,525**	**75,063**	**116,484**
Current liabilities	-	2,181	6,272	146,583
Total liabilitites	**2,169**	**2,181**	**95,938**	**146,583**
Net deficiency	**(652)**	**(656)**	**(20,875)**	**(30,099)**
Total equity of the parent entity comprising of:				
Issued capital	2,459	2,459	43,152	43,152
Accumulated losses	(3,111)	(3,115)	(64,027)	(73,251)
Total equity	**(652)**	**(656)**	**(20,875)**	**(30,099)**

(a) Parent Entity contingencies

There are no contingencies with the parent entity as at 30 June 2017 (2016: $Nil).

(b) Parent Entity capital commitments

The parent entity has not entered into any capital commitments as at 30 June 2017 (2016: $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 16.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2017

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 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
Carrying amount at beginning of the financial period	-	-	124,043	108,413
Additions and capital expenditure	-	-	99	755
Net change in fair value as at balance date	-	-	12,282	14,875
Disposals	-	-	(59,514)	-
Carrying amount at end of the financial year	**-**	**-**	**76,910**	**124,043**

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.

The remaining property at 30 June 2017 was subject to internal valuation (2016: 33% external, 67% internal).

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

13. COMMITMENTS AND CONTINGENCIES

There are no contingent liabilities referable to AHF and AHT at 30 June 2017.

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.

14. RELATED PARTY DISCLOSURES

(a) Subsidiaries

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

	Equity interest	
	2017	**2016**
Entity	**%**	**%**
Abacus Hospitality Limited and its subsidiaries:		
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 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 15.

(d) Director-related entity transactions

No transactions with directors occurred during the year.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2017

14. RELATED PARTY DISCLOSURES (continued)

(e) Transactions with related parties

	AHF Consolidated 2017 $'000	AHF Consolidated 2016 $'000	AHT Consolidated 2017 $'000	AHT Consolidated 2016 $'000
Transactions with related parties				
Expenses				
Management fee	993	1,228	993	1,228
Other fees	976	243	976	243
Other transactions				
Loan and interest repayments to related party	(2,101)	(1,470)	(2,101)	(1,470)
Interest expense of loan from related party	2,864	1,908	2,864	1,908

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 $0.9 million (2016: $1.2 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 for the year ended 30 June 2017 (2016:$ nil).

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2017

15. 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
Myra Salkinder	Non-executive Director
Peter Spira	Non-executive Director

(ii) Executives

R. Baulderstone	Chief Financial Officer and Company Secretary
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 Note14.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2017

16. 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 2017 and Balance Sheet as at 30 June 2017, comprising the members of the closed Group after eliminating all transactions between members are set out below:

	CLOSED GROUP	
	2017	**2016**
	$'000	**$'000**
Summarised Income Statement		
Loss before income tax benefit	7	(596)
Income tax benefit	(7)	218
Loss for the year	**-**	**(378)**

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

16. DEED OF CROSS GUARANTEE (continued)

	CLOSED GROUP	
	2017	**2016**
	$'000	**$'000**
CURRENT ASSETS		
Cash and cash equivalents	2,147	1,096
Trade and other receivables	211	178
Other assets	356	340
Hotel Property, plant and equipment	-	2,972
Deferred tax assets	-	2,004
Investment in controlled entities	-	811
TOTAL CURRENT ASSETS	**2,714**	**7,401**
NON-CURRENT ASSETS		
Hotel Property, plant and equipment	3,090	-
Deferred tax assets	2,195	-
Investment in controlled entities	811	-
TOTAL NON-CURRENT ASSETS	**6,096**	**-**
TOTAL ASSETS	**8,810**	**7,401**
CURRENT LIABILITIES		
Trade and other payables	10,841	9,749
Provisions	-	810
Deferred tax liabilities	-	224
TOTAL CURRENT LIABILITIES	**10,841**	**10,783**
NON-CURRENT LIABILITIES		
Deferred tax liabilities	422	-
Provisions	929	-
TOTAL NON-CURRENT LIABILITIES	**1,351**	**-**
TOTAL LIABILITIES	**12,192**	**10,783**
NET LIABILITIES	**(3,382)**	**(3,382)**

	CLOSED GROUP	
	2017	**2016**
	$'000	**$'000**
EQUITY		
Contributed equity	2,459	2,459
Accumulated losses	(5,841)	(5,841)
TOTAL EQUITY	**(3,382)**	**(3,382)**

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

17. 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.

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 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 2016/191. 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 for the adoption of new standards and interpretations effective as of 1 July 2016.

The Fund has adopted the following new or amended standards which became applicable on 1 July 2016:

- AASB 2014-3 – Accounting for Acquisitions of Interests in Joint Ventures
- AASB 2014-4 – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 1057 – Application of Accounting Standards
- AASB 2014-9 – Equity Method in Separate Financial Statements
- 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 2015-5 – Investments Entities: applying the consolidation exception
- 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.

(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 for the annual reporting period ended 30 June 2017. The significant new standards or amendments are outlined below:

- AASB 9 Financial Instruments (effective 1 January 2018 / applicable for Fund 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 Standard contains requirements in the areas of classification, measurement, hedge accounting and derecognition.

  The Fund does not expect the adoption of AASB 9 to have a material impact on the classification and measurement of its existing financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

17. 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 2018 / applicable for Fund 1 July 2018)

  AASB15 replaces the current revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations.

  AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). 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.

  Early adoption of this Standard is permitted.

  The Standard will not have a material impact on how the Trust currently recognises revenue.

- Leases (effective 1 January 2019 / applicable for Fund 1 July 2019)

  AASB 16 supersedes: AASB 117 Leases and associated interpretations.

  The key features of AASB 16 are as follows:

  Lessee accounting

  - Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset of low value
  - A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities
  - Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease
  - AASB 16 contains disclosure requirements for lessees

  Lessor accounting

  - AASB 16 substantially carries forward the lessor accounting requirements in AASV 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently
  - AABB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk

  Early adoption is permitted, provided the new revenue standard, AASB15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.

  The Standard will not have a material impact on the Fund.

AASB 2016-1, AASB 2016-2, AASB 2014-10, AASB 2016-5 and IFRIC 23 are applicable to the Group, however will have no significant impact on the Group.

AASB 2016-4, AASB 2017-2, AASB 2016-6 AASB 2017-1, AASB interpretation 22, AASB 2016-8 and IFRS 17 will have no application to the Group.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

17. 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Hotel property, plant and equipment (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investment properties (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Provisions and employee leave benefits (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Taxation (continued)

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.

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% (2016: 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% (2016: 28%).

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2017

17. 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.

18. AUDITOR'S REMUNERATION

	AHF Consolidated 30 June 2017 $	AHF Consolidated 30 June 2016 $	AHT Consolidated 30 June 2017 $	AHT Consolidated 30 June 2016 $
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	80,000	80,000	41,500	10,000

19. 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 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 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 2017 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 17(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.

On behalf of the Board

John Thame	Frank Wolf
Chairman	Managing Director
Sydney, 18 August 2017	

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Independent Auditor's Report to the Members of Abacus Hospitality Fund

Opinion

We have audited the financial report of Abacus Hospitality Fund ('the Fund') 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.), which comprises:

- the consolidated statements of financial position as at 30 June 2017;
- the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended ;
- notes to the financial statements, including a summary of significant accounting policies; and
- the directors' declaration.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Fund and Trust's financial position as at 30 June 2017 and of their financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund and Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors of the Company and the directors of Abacus Funds Management Limited as Responsible Entity for the Trust are responsible for the other information. The other information is the directors' report accompanying the financial report.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company and the directors of Abacus Funds Management Limited as Responsible Entity for the Trust 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Fund's and Trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Fund's and Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's or Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund or the Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund and Trust to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Fund and Trust audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Kathy Parsons
Partner
Sydney
18 August 2017