ASX Announcement

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The Manager
Australian Securities Exchange Limited
Corporate Announcement Office
Level 4, 20 Bridge St
Sydney NSW 2000

Chairman's address - AGM

Ladies and Gentlemen,

Introduction

30 June 2016, marked the end of a period in which the company delivered strong statutory profit and exceeded distribution projections. The result reflects the continued, consistent performance achieved by the Company over all periods since its initial formation and listing in 2013.

Distributions

The HPI Group's key financial goal is to provide sustainable growth in cash distributions to stapled security holders.

For the year ended 30 June 2016 the HPI Group paid an interim distribution of 9.0 cents per stapled security and declared a final distribution of 9.3 cents per stapled security. The aggregate distribution of 18.3c represents a 12.3% increase over the aggregate 2015 distribution of 16.3c.

HPI has provided guidance for FY17 of 19.5 cents per security, a growth rate of 6.5%.

Financial Results and Capital Management

In the year ended 30 June 2016 HPI achieved a group statutory profit after tax of $60.12 million, from gross property revenues of $47.8 million, which included a $32.6 million fair value gain on investment properties, property outgoings expense of $6.9 million, Management and Trust Expenses of $4.1 million, and financing costs of $10.3 million. AFFO or Adjusted Funds from Operations was $26.7 million, and was 100% distributed to security holders.

At 30 June 2016 the HPI Group's net assets were $333.4 million representing net assets per security of $2.28 compared to $2.07 for the year end 2015.

As at 30 June 2016 HPI's gearing of 40.9% remained comfortably within the Board's target range of 40% - 50%, and there was approximately $23m million headroom available within HPI's current loan facilities.

Business Strategies and prospects

The HPI Group's financial goal is to improve cash distributions to stapled security holders whilst maintaining the key attributes of the HPI Group business. Distribution growth may be achieved organically from annual rent increases averaging 3.9% across the portfolio and by prudent management of financing charges, management fees and costs of the Trust. Further distribution growth may arise from development opportunities undertaken on surplus land or with Coles Group as it pursues its retail liquor and hotels strategy, or through further accretive freehold hotel acquisitions.

On 1 July 2016 the HPI Group internalised its management and HPI Limited replaced the Trust Company (RE Services) Limited as the Responsible Entity for the HPI Trust. At that time all the staff previously providing the third party services became employees of the HPI Group, and David Charles was appointed as Managing Director and Chief Executive Officer (MD & CEO). These initiatives enhanced alignment of management and Investors' interests, delivered an annual cost saving and better positioned HPI for internal management and development opportunities.

The HPI Group will continue to pursue acquisition opportunities which meet its investment criteria, namely that target properties be in good condition, in key regional or metropolitan locations with potential for long term growth, and leased to experienced tenants on favourable lease terms. The HPI Group investigated the divestment of two non-strategic assets with lower long term investment returns throughout the year. One being a bottle shop, has been divested and the other, the Payneham Tavern in South Australia, was sold in June 16 on a 6% Cap rate for $10 million, with settlement in September 2016.

Summary

We are now almost half way through financial year 2016 and the company remains focussed on delivering the distribution guidance provided in August 2016 of 19.5 cents per security.

Thank you, I will now move to the Formal Business of today's Meeting.