HOTEL PROPERTY INVESTMENTS

Suite 2, Level 17
IBM Centre
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Southbank VIC 3006
(03) 9038 1774

ABN 25 010 330 515

Appendix 4E
Full Year Report
Year Ended 30 June 2023

Name of entity

HOTEL PROPERTY INVESTMENTS (HPI)

ABN or equivalent company reference

Hotel Property Investments Trust (ARSN 166 484 377) and Hotel Property Investments Limited (ABN 25 010 330 515)

Half yearly	Preliminary final	Reporting Period
	✓	1 July 2022 to 30 June 2023 (previous corresponding period 1 July 2021 to 30 June 2022)

Results for announcement to the market

	30 June 2023 A$'000	30 June 2022 A$'000	Variance %
Total revenue from investment properties	79,835	73,974	7.92%
Total income from operating activities	43,915	245,289	-82.10%
Profit for the period from operating activities after tax attributable to stapled security holders	3,590	211,446	-98.30%

	30 June 2023 $ per security	30 June 2022 $ per security	Variance %
Net assets per security	$4.02	$4.19	-4.06%

	30 June 2023 cents per security	30 June 2022 cents per security	Variance %
Earnings per security	1.85	112.24	-98.35%

Distributions

Interim Distribution	**Six Months Ended 31 December 2022**	**Six Months Ended 31 December 2021**	**Variance %**
Trust distribution amount per stapled security (cents)	9.2	10.2	-9.80%
Record date for determining entitlements to trust distribution	31 December 2022	31 December 2021	
Payment date for trust distribution	3 March 2023	4 March 2022	
Final Distribution	**Six Months Ended 30 June 2023**	**Six Months Ended 30 June 2022**	**Variance %**
Trust distribution amount per stapled security (cents)	9.4	10.3	-8.74%
Record date for determining entitlements to trust distribution	30 June 2023	30 June 2022	
Payment date for trust distribution	1 September 2023	2 September 2022	

Explanation of Results

- Rent revenue increased by 7.92% during the 2023 financial year due to asset acquisitions, rentalised investments into existing assets and annual rent reviews. Over 70% of the HPI portfolio's rent reviews are linked to CPI.
- Total profit decreased by 98.3% which is largely due to a fair value loss of $36m being recognised in the 2023 financial year (2022: fair value gain of $171.3m) and an increase in interest expenses by approx. $7.9m year-on-year.

Other Details

- Final distribution consists of 9.4 cents from trading operations.
- Distribution reinvestment plan was halted during the year and was reintroduced for the final distribution.
- There were no associates or joint venture entities during the period.

Audit

This report is based on financial accounts which have been audited by KPMG. A copy of the Hotel Property Investments audited Annual Report is attached.

HOTEL
PROPERTY
INVESTMENTS

Annual Report 2023

Hotel Property Investments (HPI)
Report for the Year Ended
30 June 2023

Comprising –
Hotel Property Investments Trust (ARSN 166 484 377) and
Hotel Property Investments Limited (ABN 25 010 330 515) and their controlled entities.

Contents

Directors' Report

Rent from investment properties up 6.8% on prior year

Dunwoodys Tavern
Cairns QLD

Introduction

The Directors of Hotel Property Investments Limited as Responsible Entity (the 'Responsible Entity') for the Hotel Property Investments Trust ('the Trust') present the consolidated financial report of the Trust, Hotel Property Investments Limited ('the Company') and their controlled entities (together 'the HPI Group') for the year ended 30 June 2023.

The securities in the Company are stapled to the units in the Trust and cannot be traded or dealt with separately. The Company and its controlled entities and the Trust and its controlled entities are referred to as 'the HPI Group'.

The Responsible Entity for the Trust is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at:

Suite 2, Level 17 – IBM Centre
60 City Road Southbank VIC 3006 Australia

Corporate Governance

A copy of HPI Group's Corporate Governance Statement is available on HPI Group's website at:

hpitrust.com.au/governance/

HPI's Committees

Human Resources & Nominations Committee
(HR&NC)

Board Audit & Risk Committee
(BARC)

Responsible Entity Compliance Committee
(RECC)

Net assets of $780.2m as at 30 June 2023

Beenleigh Tavern
Eagleby QLD

Directors & Officers

The members of the Board of Directors and the Officers of the Company in office during the year and since the end of the year are:

Giselle Collins

Independent Non-Executive Chairman

Appointed 19 April 2017

To 7 July 2022
Chairman of the BARC, Chairman of the RECC & Member of the HR&NC

From 7 July 2022:
Chairman, Member of the BARC & Member of the HR&NC

Giselle Collins is a Director with significant executive experience in property, tourism and financial services as well as having worked in professional services with KPMG in Sydney, London and Zug, Switzerland.

Giselle's past board experience includes being the Chairman of Aon Superannuation, Chairman of the Travelodge Hotel Group and Chairman of the Heart Research Institute, as well as having served on the Boards of BIG4 Holiday Parks, Vinomofo, ASX listed Peak Rare Earths and the Royal Australian Institute of Architects.

Giselle is currently a non-executive Director on the ASX listed Boards of Generation Development Group (ASX:GDG) and Cooper Energy (ASX:COE). Giselle is also Chairman of the Responsible Entity for AMP's registered managed investment schemes. Giselle is also Chairman of Darwin Hotel Pty Ltd, as nominee for Indigenous Business Australia and a Trustee of the Royal Botanic Gardens and Domain Trust and member of the advisory committee for the Australian Institute of Botanical Science.

Giselle is a Graduate Member of the Australian Institute of Company Directors and a Member of Chartered Accountants Australia and New Zealand. Giselle has a Bachelor of Economics degree from the University of Sydney and a Graduate Diploma in Applied Finance and Investments from the Securities Institute of Australia.

Lachlan Edwards

Independent Non-Executive Director

Appointed 19 November 2013

To 7 July 2022:
Chairman of the HR&NC & Member of the BARC

From 7 July 2022:
Chairman of the HR&NC, Chairman of the BARC & Chairman of the RECC

Lachlan Edwards is the Founder of advisory business Faraday Associates, having been the Co-Head of advisory businesses at Lazard Australia. Lachlan has extensive experience in capital markets and has been a senior level advisor to governments, Boards, executive teams and creditors in Australia and Europe. His previous Board positions include Director of NM Rothschild & Sons and Governor of the English National Ballet in London.

Lachlan was a Managing Director of Goldman Sachs 2006–2013 and was at Rothschild in both Sydney and London for 15 years.

Lachlan currently serves on a number of boards including as Chair of a private hospital, Deputy Chair of the Bell Shakespeare Company and as a Trustee of the Art Gallery of NSW.

Lachlan has a Bachelor of Economics degree from the University of Sydney and a Graduate Diploma in Applied Finance and Investments from the Securities Institute of Australia. He is also a Member of the Australian Institute of Company Directors

Anne Michaels

Independent Non-Executive Director

Appointed 2 December 2022

Member of the BARC & Member of the HR&NC

Anne is the Founder and Director of a property development company, sheBuilt, an organisation that helps to empower women in the built environment and has over twenty years hands on experience in both property development and property investment. Anne also has significant experience in Business Planning, Finance and Funds Management, having previously worked in the corporate sector for many years.

Anne's previous Board positions include Director of Industry Fund Services, as significant shareholder representative, and an employer representative Trustee of a large Corporate Superannuation Fund. Anne currently serves as the Chair of the City of Port Phillip's Business Advisory Group and the President of the Clarendon & Coventry Streets Business Association.

Anne has a Bachelor of Economics Honours degree from Monash University and a Graduate Diploma in Applied Finance and Investments from the Securities Institute of Australia.

Don Smith

Managing Director & Chief Executive Officer

Appointed 1 October 2018

During The Year:
Managing Director & Chief Executive Officer

Don Smith has more than 20 years of property and funds management experience with listed and unlisted companies. Prior to taking on his executive and board roles at HPI, Don was a member of the management team at OSK Property and previous to that held a range of roles at Vicinity Centres and Colonial First State.

Don is also a Board Member and Chairman of Melbourne Athenaeum Incorporated, a not-for-profit cultural institution.

Don holds a Bachelor of Applied Science – Planning and a Graduate Diploma - Banking and Finance.

Raymond Gunston

Independent Non-Executive Chairman

Appointed 19 November 2013

Ceased 5 July 2022

On 5 July 2022 Ray Gunston passed away suddenly. Ray's charm and personality were a source of exceptional leadership for the Board and Management, always acting in the best interests of HPI's shareholders. The HPI Board, Management and Employees will dearly miss Ray's guidance, pragmatism and presence and above all else, Ray was a true gentleman.

Blair Strik

Chief Financial Officer & Company Secretary

Appointed 26 April 2017

During The Year:
Chief Financial Officer & Company Secretary

Blair Strik has over 20 years' experience in the property industry, professional services and treasury. Prior to joining the HPI Group, Blair held senior finance positions with the Industry Superannuation Property Trust for over nine years, building on experience from previous roles at Rio Tinto and KPMG.

Blair holds a Bachelor of Business from Swinburne University of Technology and is a Member of Chartered Accountants Australia and New Zealand.

Brighton Metro Hotel
Brighton SA

Principal Activities

The principal activity of the HPI Group is real estate investment in the pub sector in Australia. There has been no significant change in the nature of the principal activity during the year.

Significant Changes in State of Affairs

There were no significant changes to the state of affairs of the HPI Group during the financial year ended 30 June 2023.

Distributions & Dividends

For the year ended 30 June 2023 the HPI Group paid an interim distribution of 9.2 cents per stapled security for the half year ended 31 December 2022 and has declared a final income distribution of 9.4 cents per stapled security. This has resulted in a provision of $18.2 million being recognised at 30 June 2023 (20 June 2022: $19.9 million) to be paid on 1 September 2023. The aggregate distribution comprises of 18.6 cents per security (2022: 20.5 cents per security) from trading operations. No provisions for or payments of dividends from the trading operations of the Company have been made during the year (2022: nil).

Matters Subsequent to the End of the Financial Year

No item, transaction or event has occurred after 30 June 2023 that is likely in the opinion of the Directors of the Responsible Entity to significantly affect the operations of the HPI Group, the results of those operations, or the state of affairs of the HPI Group in future financial periods.

Review & Results of Operations

The HPI Group is an Australian Real Estate Investment Trust ("AREIT") and listed on the ASX on 10 December 2013. Its principal activity is real estate investment in freehold pubs in Australia. The HPI Group owns a portfolio of freehold properties predominantly in Queensland, comprising pubs and associated specialty stores located on the pub sites.

Current Year Performance

The HPI Group recorded a total profit after tax for the year of $3.6 million. Operating revenues and expenses included rental income from investment properties of $70.9 million, property cost recoveries of $8.9 million, property outgoing costs of $12.6 million, other trust and management costs of $4.9 million, and financing expenses of $25.1 million. Additionally, there was a fair value loss on investment property of $36.0 million.

As at 30 June 2023 the HPI Group holds 60 investment properties of which full independent valuations were obtained for 17 properties, external desktop reviews were completed for a further 6 properties and 36 properties were valued at 31 December 2022. The Hotel Allen is classified as held for sale and has not been independently valued during the year. For those properties not independently valued as at 30 June 2023 the properties were valued by the Directors in accordance with the HPI Group valuation policy.

The Directors' valuations have been determined by reference to the current net income, including allowance for contracted rental growth for each property and the specific circumstances of each property. For properties not subject to independent valuation at 30 June 2023, market capitalisation rates were assessed by the Directors to be consistent with their most recent independent valuations. The current average capitalisation rate for the portfolio is 5.42%. Adjusting profit after tax for fair value adjustments, non-cash finance costs and other minor items, the distributable earnings of the HPI Group were $37.1 million. Adjusting further for maintenance capex of $1.0 million, the Adjusted Funds from Operations (AFFO) was $36.1 million.

Financial Position

At 30 June 2023 the HPI Group's net assets were $780.2 million representing net assets per stapled security of $4.02 (June 2022: $4.19). Major assets and liabilities included investment property of $1,238.3 million, borrowings net of capitalised costs of $455.0 million and a provision for payment of distributions of $18.2 million. During the period investment property values decreased by $23 million largely due to the fair value loss of $36.0 million, the sale of several non-core assets which was offset by one acquisition to investment properties.

The following properties were acquired and disposed during FY23:

Acquisitions	
The Cornerstone Ale House	Butler, WA
Disposals	
Barron River Hotel	Stratford, QLD
Lord Stanley Hotel	East Brisbane, QLD
Royal Hotel	West End, QLD

Capital Management

At 30 June 2023, the HPI Group's total borrowing facilities of $520.6 million were drawn to $462.8 million, including $310 million under the US Private Placement ("USPP") and $152.8 million under the Common Terms Deed ("CTD") facility inclusive of guarantee. At 30 June 2023, $310 million or 67.8% of drawn debt is on fixed interest terms.

During the year, a $120 million facility maturing in August 2024 was replaced with two facilities totaling $105 million expiring in May 2026. In addition, the HPI Group entered into a $100 million 5-year callable interest rate swap which provides certainty for 2 years and can be recalled by the counter party between years 3 and 5.

Risk Management

The HPI Group's business of investing directly in freehold property exposes it to certain risks which the HPI Group actively monitors and seeks to manage. The Company's BARC assists the Board in fulfilling its responsibilities to oversee the HPI Group's risk profile. During the period, the BARC and the Company's Board reviewed and updated the Risk Management framework, including the risk matrix. Interest rate risk, market risk and regulatory risk are considered the key risks for the HPI Group.

Further material risks include credit availability, tenant credit risk, property liquidity risk, succession planning and possible adverse impacts of inflation.

The HPI Group continues to maintain a level of fixed rate debt to mitigate interest rate risk and has an active capital management plan.

Business Strategies & Prospects

The HPI Group's key financial goal is to improve cash distributions to stapled security holders whilst maintaining the core business and appropriate risk management settings.

The HPI Board and Management have actively managed the portfolio, acquiring 17 properties and selling 4 non-core properties since December 2020 The HPI Group has further added to distributions with the development of surplus land at Ferry Road, Southport and rentalised capital expenditure with our primary tenants, Queensland Venue Company and Australian Venue Company. The capital expenditure program is focused on improving the quality of the underlying portfolio.

Distribution growth may be achieved organically from contracted annual rent increases. Greater than 70% of our portfolio (by income) is subject to rent reviews linked in some way to CPI with the primary mechanism being the lower of 2 times CPI or 4%.

The HPI Group's weighted average debt maturity tenor is 3.5 years, with facility maturities between 2024 and 2033. $310 million (67.8% at balance date) of debt is at fixed rates, which has a weighted average period of 3.6 years.

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
- leased to experienced tenants on favourable lease terms
- in line with the corporate strategy

Distributions

For the year ended 30 June 2023, the HPI Group will distribute 100% of its full year Adjusted Funds From Operations ("AFFO"), which is calculated as profit for the year adjusted for fair value movements, losses or gains on hedging, other non-cash items, tax, and maintenance capital expenditure.

The following statement reconciles the profit after income tax to the AFFO and to the distribution:

	30 June 2023
	$'000
Profit after income tax for the year	**3,590**
Plus/(Less): Adjustments for non-cash items	
Net fair value (increments)/decrements to investment properties	36,020
Straight line lease adjustment	(1,349)
Fair value gain on hedging instrument	(2,391)
Share-based payments expense	134
Non-cash finance costs	999
Income tax expense	121
Total adjustments for non-cash items	**33,534**
Distributable earnings	**37,124**
Less: maintenance capital expenditure	1,035
Adjusted funds from operations	**36,089**
Distribution from capital	-
Total distributions	**36,089**

Earnings & distribution per stapled security	Cents
Basic earnings per security	1.9
Earnings available for distribution per security	**18.6**
Interim distribution per security	9.2
Final distribution per security	9.4
Total distribution per security	**18.6**

Directors' Information

Directorships of Listed Entities Within the Last Three Years

The following Directors held directorships of other listed entities within the last three years and from the date appointed up to the date of this report unless otherwise stated:

Director	Directorships of listed entities	Type	Appointed	Ceased
Giselle Collins	Peak Rare Earths Limited	Non-executive Director	March 2021	November 2022
	Cooper Energy Limited	Non-executive Director	August 2021	-
	Generation Development Group	Non-executive Director	November 2021	-
Raymond Gunston	Sigma Healthcare Limited	Non-executive Chairman	July 2010	July 2022

Special Responsibilities of Directors

The following are the special responsibilities of each Director during the year:

Giselle Collins	Chairman of the Board and a member of the HR&NC and the BARC.
Lachlan Edwards	Chairman of the RECC, HR&NC and the BARC
Anne Michaels	Member of the HR&NC and the BARC.
Raymond Gunston	Previous Chairman of the Board and a member of the HR&NC and the BARC.

Directors' Interests in Stapled Securities

The following Directors and their associates held or currently hold the following stapled security interests in the HPI Group:

Name	Role	Number held at 1 July 2022	Number of shares purchased	Number held at 30 June 2023
Giselle Collins	Independent Non-executive Chairman	33,000	26,000	59,000
Lachlan Edwards	Independent Non-executive Director	352,609	71,891	424,500
Anne Michaels	Independent Non-executive Director	-	4,000	4,000
Don Smith	Managing Director and Chief Executive Officer	30,617	25,934	56,551

Meetings of Directors

The number of board meetings attended by each director and the number of committee meetings attended by each committee member during the year ended 30 June 2023 were:

	Board		BARC		RECC		HR&NC	
Name	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Giselle Collins	11	11	4	4	-	-	2	2
Lachlan Edwards	11	11	4	4	4	4	2	2
Anne Michaels	7	7	2	2	-	-	1	1
Don Smith	11	11	4	4	-	-	2	2

Remuneration Report

This report provides details on the remuneration structure, decisions and outcomes for the year ended 30 June 2023 for Key Management Personnel ("KMP") of the HPI Group. KMP includes the non-executive Directors, the Managing Director and Chief Executive Officer ("CEO") and the Chief Financial Officer and Company Secretary ("CFO").

Remuneration Governance

The remuneration arrangements for non-executive Directors are distinct and separate from those for executives. The Board determines the fees payable to non-executive Directors within the aggregate amount approved by Securityholders, currently set at a maximum of $900,000 per annum, and which can only be increased by the passing of an ordinary resolution of Securityholders. The HR&NC assists the Board by recommending to the Board policies and practices which enable the HPI Group to attract, develop, retain and motivate high calibre Directors and executives. The HR&NC reviews and makes recommendations on policies for remuneration, development, retention and determination of the KMP.

The Board appoints members to the HR&NC from time to time and reviews the composition of the HR&NC annually. The HR&NC consists of at least three Directors and is comprised solely of non-executive Directors with a majority being independent (including the Committee Chairman). The HR&NC makes recommendations to the Board on remuneration packages and policies applicable to the KMP. The number of meetings held by the HR&NC and the members' attendance is set out above.

During the year the HR&NC reviewed non-executive Director remuneration and made no adjustments for the year ended 30 June 2023.

Executive Remuneration Philosophy & Link to Business Strategy Objectives

The Board's overall objective is to ensure that executive remuneration is effective in attracting, motivating and retaining high calibre executives to allow the HPI Group to generate sustainable growth in value for Securityholders, in doing so this reflects the Group's risk culture and organisational values.

More specifically, the executive remuneration framework is intended to:

- provide fair remuneration outcomes for executives, having regard to relevant market remuneration levels and executives' ability, experience and contribution to the HPI Group's sustainable long-term performance
- be sufficiently closely linked to the HPI Group's growth goals and sustained growth performance so as to provide alignment with the interests of Securityholders
- ensure that remuneration and remuneration outcomes are determined on a clear and transparent basis
- take account of specific circumstances applying to the HPI Group to achieve the right balance between fixed and variable remuneration and the right timeframes and performance measures used to assess variable remuneration outcomes.

A mix of fixed and performance-related remuneration is provided to achieve these objectives. Under the current business model, the Board anticipates that the weighting of total remuneration will be towards fixed pay as it is reflective of the steady and predictable nature of HPI's current business.

Services From Remuneration Consultants

In the prior year the Board engaged a remuneration consultant to provide advice on the quantum and mix of remuneration for KMPs.

Executive Remuneration Strategy & Structure

Fixed Remuneration

Fixed remuneration is the guaranteed salary component for executives and includes superannuation. Fixed remuneration is set having regard to the employee's responsibilities, experience, skills and performance, as well as to the external market and internal relativities.

The Board reviews fixed remuneration annually to ensure it is at a level that it believes is reasonable in relation to the market.

Variable Remuneration

Variable remuneration is intended to provide a link between total remuneration outcomes of the executives and the HPI Group's achieved performance reflecting, in particular, the value created for Securityholders.

Short Term Incentive (STI)

The Board provides an STI plan to align management rewards with successful execution of the HPI business strategy and thereby strengthen the alignment of management and Securityholders.

The plan encourages the CEO and CFO to identify and implement opportunities that will build Securityholder value within the context of prudent risk management. The intent of the plan is to reward participants for the net economic value created for Securityholders by management outside of the day-to-day administration of the HPI property portfolio and balance sheet management.

Under the plan an STI funding pool is created by allocating a percentage of the agreed adjusted funds from operations created in the first 12 months of completed acquisitions, other development projects and other value-added initiatives, after deducting both interest and equity charges as determined by the Board. The intent is that short-term rewards have a direct linkage to the economic value created for Securityholders by management from initiatives endorsed by the Board.

Awards under the STI plan are paid in cash and are intended to reflect the timing of realisation of net economic value-add over the first full 12 months of the life of agreed projects or initiatives. Awards are made by the Board having regard to the results achieved in terms of added Securityholder value, its assessment of individual performance and contribution to those results, and the extent to which participants demonstrate the values of the Group.

Payments of awards will not be made if on the date of payment, the participant has ceased employment with the Company in circumstances where the Board determines that they do not merit, or the Board deems it is not appropriate to make such payment.

STI awards in any one financial year will be capped at 75% of Total Fixed Remuneration of the CEO and 60% of Total Fixed Remuneration of the CFO.

The Board retains discretion with respect to the operation of the STI plan, including the ability to modify or cancel the plan if it believes the Group's objectives can be more effectively or efficiently achieved by other means.

STI Outcomes

In applying the plan as described above, the Board's calculation of the STI funding pool recognised the Securityholder value created through successfully completing a number of acquisitions and divestments, accretive capex programs, interest rate swaps and debt refinancing during the STI testing period.

The Board determined the economic value created by the pub acquisitions and joint activities with Queensland Venue Company ("QVC") over the 12 months post-completion of these initiatives resulting in a STI funding pool of $180,000 for FY23. Having regard to the timing of realisation of anticipated net economic value added to Securityholders, payment of 50% of the STI funding pool will be deferred until the lodgement of the FY24 Financial Accounts for the HPI Group. The STI outcomes for the individual KMPs awards are summarised in the "Details of remuneration" section of this remuneration report.

Long Term Incentive (LTI)

Under the LTI plan, participants receive annual grants of Rights over HPI Securities. Each Right may be exercised to provide one HPI Security if the performance conditions attached to that Right are satisfied and the executive remains employed with the HPI Group until the vesting outcomes have been determined. To further maximise the alignment of interests between executives and Securityholders, for the period between vesting and exercise of a Right, the Company will remunerate the executive with an amount equivalent to the distributions paid on a Security over that same period for each Right that vests.

The Board has determined that HPI's relative Total Securityholder Return ("TSR"), as assessed over 3-year performance periods, and in relation to a comparator group consisting of comparable ASX-listed real estate investment trusts, will be the only performance metric used in the LTI plan. The comparator grouping is selected to align with the complexity, size and nature of operations of the Group.

To maximise alignment with the returns experienced by Securityholders, the Board has imposed a gateway requirement that the HPI Group's TSR over each 3-year performance period be positive before any Rights are able to vest under the LTI plan. This ensures that Rights cannot vest to executives when Securityholders have lost value over a performance period, even where HPI's relative TSR against the comparator group would otherwise result in some or all Rights vesting.

The number of Rights to be granted to executives under annual LTI grants is determined by dividing the annual LTI component of the executive's remuneration by the weighted average closing price for HPI Securities over the 20 trading days following release of HPI's audited statutory accounts for the prior financial year. No consideration is payable by executives to acquire or exercise Rights granted under the LTI plan. In the event of a capital reconstruction, the Board may adjust the rights attaching to Rights, including the number of Securities that may be acquired on exercise of the Rights on any basis it sees fit and at its absolute discretion. Rights expire on the earlier of five years after grant date (or the next business day) and the occurrence of any earlier lapsing or forfeiture event.

Rights granted under the LTI Plan will vest if the following vesting conditions are met:

- HPI's TSR measured over the three years (the performance period) is positive.
- HPI's TSR measured over the performance period is ranked at or above the 50th percentile of the comparator group of ASX-listed real estate investment trusts.
- The executive remains continuously employed by the Company from the grant date until the date on which the Board makes a determination as to whether the Vesting Conditions applicable to those Rights have been met.

The proportion of the Rights that vest will then be determined according to HPI's relative TSR percentile ranking against the comparator group companies over the performance period, as follows:

- Below the 50th percentile of the peer group, no Rights in the grant vest.
- At the 50th percentile of the peer group, 50% of the Rights in the grant vest.
- Between the 50th and 75th percentile of the peer group, Rights vest on a straight-line basis between 50% and 100%.
- At or above the 75th percentile of the peer group, 100% of the Rights in the grant vest.

Rights will be forfeited if they do not vest or upon cessation of employment, except in the case where a participant ceases employment with the HPI Group for reasons including ill-health, total and permanent disability, death, redundancy, retirement or sale of the business. In such cases unvested rights will vest pro rata according to the extent to which the relevant performance period has been completed at the date employment ceases and having regard to the extent to which performance conditions have been achieved, as determined by the Board.

For participants whose employment is terminated by the HPI Group all rights, entitlements, and interests in any Rights, including vested but unexercised Rights will be forfeited. For participants leaving for any other reason the Board has the discretion to permit some or all of the unvested Rights held by an executive to vest.

Executives may only deal with Rights in accordance with the HPI Group's Securities Trading Policy and are not permitted to hedge or otherwise deal with Rights prior to vesting.

FY23 LTI Outcomes

The relevant LTI grant was tested over its performance period from 1 July 2020 to 30 June 2023 and it was concluded that all three of the vesting conditions were met. HPI's TSR ranked 5th of the 17 entities included in the comparator group, or the 75th percentile. Consequently, 100% of the relevant LTI Rights vested at 30 June 2023.

Details of Rights Granted to Executives

Executive	Number of Rights Granted During the Year Ended 30 June 2023	Grant Date	Fair Value Per Right at Grant Date	Expiry Date
Don Smith	60,740	17 November 2022	$1.43	17 November 2027
Blair Strik	30,370	17 November 2022	$1.43	17 November 2027
Executive	**Number of Rights Granted During the Year Ended 30 June 2022**	**Grant Date**	**Fair Value Per Right at Grant Date**	**Expiry Date**
Don Smith	56,840	17 November 2021	$1.68	17 November 2026
Blair Strik	28,420	17 November 2021	$1.68	17 November 2026
Executive	**Number of Rights Granted During the Year Ended 30 June 2021**	**Grant Date**	**Fair Value Per Right at Grant Date**	**Expiry Date**
Don Smith	64,415	22 October 2020	$1.34	22 October 2025
Blair Strik	32,207	22 October 2020	$1.34	22 October 2025

Remuneration Mix of Executive KMP

	Total Fixed Remuneration	At Risk Performance Based Remuneration	
Executive KMP	%	Cash STI %	Equity LTI %
Don Smith	72.0	16.1	11.9
Blair Strik	81.0	10.9	8.1

Remuneration of the Company's Directors

Board / Committee	Role	Fees Per Annum[1] $
Board	Chairman	171,946
	Non-executive Director	79,186
Board Audit & Risk Committee (BARC)	Chairman	20,000
	Member	10,000
Human Resources & Nominations Committee (HR&NC)	Chairman	10,000
	Member	2,500

1 Fees are exclusive of superannuation & are as at 30 June 2023. The Chairman of the Board's fees are inclusive of all Committee fees.

Directors of the Company may also be reimbursed for all reasonable travel and other expenses properly incurred in attending Board meetings or any meetings of committees of Directors of the Company, in attending general meetings of the Company, and otherwise in connection with the Company's business.

Key Management Personnel Transactions

Consequences of Performance on Securityholder Wealth

The following indicators will be considered when assessing the HPI Group's performance and benefits for Securityholder wealth.

	2023	2022	2021	2020	2019
Distributable profit ($m)	36.1	39.6	32.5	30.3	28.8
Distributions paid or payable ($m)	36.1	39.6	33.5	30.3	29.0
Distributions per stapled security from trading operations (cents)	18.6	20.3	18.7	20.0	19.7
Distributions per stapled security from trust capital (cents)	-	0.2	0.6	-	0.2
Change in security price (cents)	4.0	(9.0)	29.0	(54.0)	28.0
Total Securityholder return (percent)	**7%**	**4%**	**17%**	**(10%)**	**15%**

Movements in Securities

The movement during the year in the number of Securities in Hotel Property Investments Limited held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 1 July 2022	Received on Exercise of Options	Other Changes*	Held at 30 June 2023
Don Smith	30,617	25,934	-	56,551
Blair Strik	11,233	12,967	-	24,200

* Other changes represent securities that were purchased.

Details of non-executive Directors' Security holdings are included on page 13 of the Directors' Report.

Movements in Options & Rights

	Opening Performance Rights	Granted as Remuneration	Forfeited / Lapsed	Vested	Closing
Don Smith	121,255	60,740	-	(64,415)	117,580
Blair Strik	60,627	30,370	-	(32,207)	58,790

Details of Remuneration

Details of the remuneration of the KMPs for the current year and the comparative year are set out in the following tables.

Remuneration Details

1 July 2022 to 30 June 2023

	Short Term					Other Long Term	Share-Based Payments	Total	Proportion of Remuneration Performance Related
	Salary & Fees	STI Cash Bonus	Non-monetary Benefits	Total	Superannuation Benefits	Leave Entitlements	Share Based Payments Expense		
	$	$	$	$	$	$	$	$	%
Independent Non-Executive Director									
Giselle Collins (Chairman from 7 July 2022)	166,082	-	-	166,082	17,439	-	-	183,521	
Raymond Gunston (Chairman until 5 July 2022)	14,329	-	-	14,329	1,505	-	-	15,834	
Lachlan Edwards	108,345	-	-	108,345	11,376	-	-	119,721	
Anne Michaels	53,002	-	-	53,002	5,565	-	-	58,567	
CEO									
Don Smith	476,250	120,000	-	596,250	27,500	32,949	89,005	745,704	28.0
CFO									
Blair Strik	387,500	60,000	-	447,500	27,500	30,835	44,502	550,337	19.0
	1,205,508	**180,000**	-	**1,385,508**	**90,885**	**63,784**	**133,507**[1]	**1,673,684**	

Executive Details – 'take home pay'

1 July 2022 to 30 June 2023

	Salary & Fees	Superannuation Benefits	STI Cash Bonus Relating to FY21	STI Cash Bonus Relating To FY22	Value of LTI Rights Vested	Total	Remuneration Based on Performance
	$	$	$	$	$	$	%
CEO							
Don Smith	476,250	27,500	144,750	181,875	199,687	1,030,062	51.1
CFO							
Blair Strik	387,500	27,500	77,500	120,000	99,842	712,342	41.7
	863,750	**55,000**	**222,250**	**301,875**[2]	**299,529**	**1,742,404**	

1 The value of options and rights reflects the amounts recognised in the consolidated statement of profit or loss and other comprehensive income at fair value for the year. Refer to the share-based payment accounting policy in note 3.

2 Represents payments made during the financial year relating to STI's awarded in previous years.

Remuneration Details

1 July 2021 to 30 June 2022

	Short Term					Other Long Term	Share-Based Payments	Total	Proportion of Remuneration Performance Related
	Salary & Fees	STI Cash Bonus	Non-monetary Benefits	Total	Superannuation Benefits	Leave Entitlements	Options & Rights		
	$	$	$	$	$	$	$	$	%
Independent Non-Executive Director									
Raymond Gunston (Chairman until 5 July 2022)	172,727	-	-	172,727	17,273	-	-	190,000	
Giselle Collins (Chairman from 7 July 2022)	102,045	-	-	102,045	10,205	-	-	112,250	
Lachlan Edwards	99,545	-	-	99,545	9,955	-	-	109,500	
CEO									
Don Smith	457,500	363,750	-	821,250	27,500	12,258	75,256	936,264	46.9
CFO									
Blair Strik	372,500	240,000	-	612,500	27,500	6,374	37,628	684,002	40.6
	1,204,317	**603,750**	-	**1,808,067**	**92,433**	**18,632**	**112,884**[1]	**2,032,016**	

Executive Details – 'take home pay'

1 July 2021 to 30 June 2022

	Salary & Fees	Superannuation Benefits	STI Cash Bonus Relating to FY20	STI Cash Bonus Relating to FY21	Value of LTI Rights Vested	Total	Remuneration Based on Performance
	$	$	$	$	$	$	%
CEO							
Don Smith	457,500	27,500	58,800	144,750	80,395	768,945	39.6
CFO							
Blair Strik	372,500	27,500	28,800	77,500	40,198	546,498	26.8
	830,000	**55,000**	**87,600**[2]	**222,250**[2]	**120,593**	**1,315,443**	

1 The value of options and rights reflects the amounts recognised in the consolidated statement of profit or loss and other comprehensive income at fair value for the year. Refer to the share-based payment accounting policy in Note 3.

2 Represents payments made during the financial year relating to STI's awarded in previous years.

Indemnification & Insurance of Officers & Auditors

The Constitution of the Company provides that subject to, and to the extent permitted by the Corporations Act 2001 the Company must indemnify or enter into and pay premiums on a contract insuring any current or former Officer of the Company, non-executive directors and/or its Related Bodies Corporate against any liability incurred by that person in that capacity, including legal costs.

During the financial year, the HPI Group paid an insurance premium in respect of the Directors and Officers of the Company.

No insurance premiums were paid out of the HPI Group with regards to insurance cover for the auditors of the HPI Group. As long as the Directors and Officers of the Responsible Entity and its Compliance Committee act in accordance with the Constitution and Corporations Act, they remain indemnified out of the assets of the HPI Group against losses incurred while acting on behalf of the HPI Group. The auditors of the HPI Group are in no way indemnified out of the assets of the HPI Group.

Non-audit Services

KPMG was appointed the auditor of HPI Group in 2013 and during the 2023 financial year has performed certain other services in addition to the audit and review of the financial statements, including the audit of the scheme's compliance plan and the Australian Financial Services Licence ("AFSL") held by the Company.

The Company's Board has considered these services provided by the auditor as audit services and in accordance with advice provided by resolution of the BARC, is satisfied that the provision of those services by the auditor is compatible with and did not compromise the auditor independence requirements of the Corporations Act 2001.

Details of the amounts paid or payable to the auditor of the HPI Group, KPMG for all services provided during the year are set out below.

	$
Audit & review of financial statements	224,091
AFSL audit	10,282
Compliance Plan audit	10,627
Total audit fees paid / payable to KPMG	**245,000**

Likely Developments

The HPI Group will continue to review the portfolio with a view to increasing distributions, whether by divesting properties and recycling the proceeds into higher returning properties, developing properties, or by acquiring new properties at appropriate prices.

Proceedings on Behalf of the Company

There are no proceedings on behalf of the HPI Group.

Lead Auditor's Independence Declaration

A copy of the Lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14 and forms part of the Directors' Report for the year ended 30 June 2023.

Environment, Sustainability & Governance (ESG)

Hotel Property Investments believes that being sustainable is an important part of a company's ability to create value for its stakeholders and is committed to improving the sustainability of its own practices. During the 2023 financial year, HPI performed a detailed appraisal of the key ESG areas which are applicable to the organisation and a separate sustainability report will be released prior to the AGM outlining the key focus areas which have been identified as relevant to HPI's operations.

Rounding of Amounts

The HPI Group is of a kind referred to in Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the rounding of amounts in the directors' report and financial report.

Signed in accordance with a resolution of the Directors of Hotel Property Investments Limited.

Giselle Collins
Chairman - Melbourne
Dated this 16th day of August 2023

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Hotel Property Investments

I declare that, to the best of my knowledge and belief, in relation to the audit of Hotel Property Investments for the financial year ended 30 June 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG

Rachel Gatt
Partner
Sydney
16 August 2023

Consolidated Statement
of Profit or Loss & Other Comprehensive Income

	Note	2023 $'000	2022 $'000
Revenue			
Rent from investment properties		70,915	66,373
Revenue from outgoings recovered		8,920	7,601
Total revenue		**79,835**	**73,974**
Other Income			
Fair value adjustment to investment properties	14	(36,020)	171,314
Finance revenue		100	1
Total other income		**(35,920)**	**171,315**
Total income from operating activities		**43,915**	**245,289**
Operating Expenses			
Investment property outgoings and expenses		(12,595)	(11,227)
Other expenses	8	(4,879)	(5,355)
Total expenses from operating activities		**(17,474)**	**(16,582)**
Profit from operating activities		**26,441**	**228,707**
Non-Operating Expenses			
Fair value gain on hedging instrument		2,391	-
Finance expenses	9	(25,121)	(17,188)
Total non-operating expenses		**(22,730)**	**(17,188)**
Profit before tax		**3,711**	**211,519**
Tax expense	15	(121)	(73)
Profit for the year		**3,590**	**211,446**
Other comprehensive income		-	-
Total comprehensive income		**3,590**	**211,446**
Profit for the year attributable to:			
Unitholders of the Trust		3,310	211,416
Securityholders of the Company		280	30
Total comprehensive income attributable to the stapled Securityholders of HPI		**3,590**	**211,446**
Basic earnings per security (cents)	24	1.85	112.24
Diluted earnings per security (cents)	24	1.85	112.08

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement
of Financial Position

	Note	2023 $'000	2022 $'000
Current Assets			
Cash and cash equivalents	10	972	837
Trade and other receivables	11	1,585	1,118
Other current assets	12	3,975	1,407
Assets held for sale	13	15,185	34,815
Total current assets		**21,717**	**38,177**
Non-Current Assets			
Investment property	14	1,238,330	1,261,420
Plant and equipment		66	57
Right-of-use assets	26	366	474
Other non-current assets	12	5,000	5,000
Deferred tax assets	15	215	213
Total non-current assets		**1,243,977**	**1,267,164**
Total assets		**1,265,694**	**1,305,341**
Current Liabilities			
Trade and other payables	16	10,674	9,426
Employee benefit liabilities	17	971	845
Lease liabilities	26	107	100
Provisions	19	18,238	19,902
Total current liabilities		**29,990**	**30,273**
Non-Current Liabilities			
Loans and borrowings	18	455,002	464,233
Employee benefit liabilities	17	147	342
Lease liabilities	26	288	396
Deferred tax liability	15	91	124
Total non-current liabilities		**455,528**	**465,095**
Total liabilities		**485,518**	**495,368**
Net assets		**780,176**	**809,973**
Equity			
Contributed equity	20	414,587	412,027
Retained earnings	21	365,957	398,456
Reserves	22	(368)	(510)
Total equity		**780,176**	**809,973**
Total Equity attributable to:			
Unitholders of the Trust		779,472	809,691
Securityholders of the Company		704	282
Total equity		**780,176**	**809,973**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement
of Changes in Equity

		Attributable to Unitholders of the Trust (Parent Entity)			Attributable to Securityholders of the Company (Other Stapled Entity)				
		Contributed Equity	Retained Earnings	Total	Contributed Equity	Retained Earnings	Reserves	Total	Total Equity
	Note	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2022		412,027	397,664	809,691	*	792	(510)	282	809,973
Comprehensive income for the year									
Profit for the year	21	-	3,310	3,310	-	280	-	280	3,590
Total comprehensive income for the year		-	3,310	3,310	-	280	-	280	3,590
Transactions with owners in their capacity as owners recognised directly in equity									
Distribution to stapled Securityholders	25	-	(17,851)	(17,851)					(17,851)
Provision for distribution to stapled Securityholders	19	-	(18,238)	(18,238)	-	-	-	-	(18,238)
Distribution reinvestment plan	20	2,560	-	2,560	-	-	-	-	2,560
Share-based payment transactions	22	-	-	-	-	-	134	134	134
Treasury shares granted as remuneration	22	-	-	-	-	-	120	120	120
Purchase of treasury securities	22	-	-	-	-	-	(112)	(112)	(112)
Total transactions with owners		2,560	(36,089)	(33,529)	-	-	142	142	(33,387)
Balance at 30 June 2023		414,587	364,885	779,472	*	1,072	(368)	704	780,176
Balance at 1 July 2021		349,107	225,767	574,874	*	762	(623)	139	575,013
Total comprehensive income for the year									
Profit for the year	21	-	211,416	211,416	-	30	-	30	211,446
Total comprehensive income for the year		-	211,416	211,416	-	30	-	30	211,446
Transactions with owners in their capacity as owners recognised directly in equity									
Issue of ordinary securities	20	57,403	-	57,403	-	-	-	-	57,403
Distribution to stapled Securityholders	25	-	(19,617)	(19,617)	-	-	-	-	(19,617)
Provision for distribution to stapled Securityholders	19	-	(19,902)	(19,902)	-	-	-	-	(19,902)
Distribution reinvestment plan	20	5,517	-	5,517	-	-	-	-	5,517
Share-based payment transactions	22	-	-	-	-	-	113	113	113
Total transactions with owners		62,920	(39,519)	23,401	-	-	113	113	23,514
Balance at 30 June 2022		412,027	397,664	809,691	*	792	(510)	282	809,973

The above Consolidated Statement Of Changes In Equity should be read in conjunction with the accompanying notes.
* Less than $1,000

Consolidated Statement
of Cash Flows

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Rent and outgoings from investment properties		87,026	84,698
Payments to suppliers		(24,481)	(21,303)
Interest income receipts		100	1
Income tax paid		(46)	(28)
Net cash from operating activities	31	**62,599**	**63,368**
Cash flows from investing activities			
Payment for acquisition of investment properties		(4,258)	(105,648)
Payments for acquisition of other non-current assets		-	(5,000)
Proceeds on sale of investment properties		25,677	24,600
Payment for additions to investment properties		(13,031)	(89,740)
Payment for plant and equipment		(33)	(11)
Net cash from / (used in) investing activities		**8,355**	**(175,799)**
Cash flows from financing activities			
Proceeds from borrowings		101,601	246,595
Repayments of borrowings		(111,400)	(143,223)
Proceeds from capital raising		-	57,403
Payment of interest on borrowings		(25,614)	(16,951)
Payment for treasury securities		(112)	-
Payment of lease liabilities		(101)	(90)
Payment of distributions		(35,193)	(31,005)
Net cash (used in) / from financing activities		**(70,819)**	**112,729**
Net increase in cash held		**135**	**298**
Cash & cash equivalents at the beginning of the year		837	539
Cash and cash equivalents at the end of the year	10	**972**	**837**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

Bribie Island Hotel
Bellara QLD

NOTE 1

Reporting Entity

The consolidated financial report of Hotel Property Investments as at and for the year ended 30 June 2023 comprises Hotel Property Investments Trust (the "Trust"), Hotel Property Investments Limited (the "Company") and their controlled entities (together "the HPI Group"). The Trust is a registered managed investment scheme under the Corporations Act 2001. The Company is a company limited by securities under the Corporations Act 2001. The responsible entity of the Trust is Hotel Property Investments Limited (the "Responsible Entity").

The securities in the Company are stapled to the units in the Hotel Property Investments Trust ("the Trust") and cannot be traded or dealt with separately. The stapled securities were first quoted on the Australian Securities Exchange ("ASX") on 10 December 2013, trading under the Company code HPI.

The Company and its controlled entities and the Trust and its controlled entities are referred to as "the HPI Group".

As a result of the stapling of the Trust and the Company and the public quoting of the HPI Group on the Australian Securities Exchange (ASX) with new stapled Securityholders on 10 December 2013, the Company has been determined to be a disclosing and reporting entity.

The principal activity of the HPI Group is real estate investment in the pub sector in Australia. There has been no significant change in the nature of the principal activity during the year.

In accordance with clause 5.1 of the Stapling Deed, the Trust and the Company each agree to provide financial accommodation to all members of the HPI Group.

The Trust is a for profit entity.

NOTE 2

Basis of Preparation

a) Compliance Statement

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report also complies with the International Financial Reporting Standards (IFRS) and the interpretations adopted by the International Accounting Standards Board (IASB).

b) Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for the following that are measured at fair value:

- investment property, including investment property held for sale at reporting date
- share-based payment arrangements
- interest rate swap hedging instrument

The methods used to measure fair values are discussed further within the relevant notes.

The consolidated financial report as at and for the year ended 30 June 2023 was approved by the Directors on 16 August 2023.

c) Functional & Presentation Currency

These financial statements are presented in Australian dollars, which is the HPI Group's functional currency.

The HPI Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

d) Use of Estimates

In preparing these consolidated financial statements, management has made estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected.

Estimation Uncertainties

Information about estimation uncertainties and assumptions that have a significant risk of resulting in a material adjustment in the year ended 30 June 2023 are described in the following notes:

Note 4(a) & Note 14 - Investment Property
Note 3(l) & Note 30 - Financial Instruments

e) Working Capital

As at 30 June 2023, the HPI Group had a deficit in current assets over current liabilities of $8.4 million. The financial report has been prepared on a going concern basis as the Directors believe the HPI Group will continue to generate operating cash flows and has sufficient undrawn committed debt facilities to meet current liability obligations, and that the net current deficit does not impact the underlying going concern assumption applied in preparing these financial statements.

NOTE 3

Significant Accounting Policies

a) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Trust or the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Business Combinations

Business combinations are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the HPI Group. The HPI Group controls an entity when it is exposed to, or has rights to, variable returns through its power over the entity. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase price is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The accounting standards require that an acquirer be identified in a business combination. In a stapling transaction, judgement is applied to determine the acquirer as outlined in Note 6. Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the HPI Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

b) Revenue Recognition

Revenue is measured based on the consideration specified in a contract and when the HPI Group transfers control over a product or service to the customer. Revenue recognised but not received at balance date is recognised as a receivable.

The following specific recognition criteria must also be met before revenue is recognised:

Rental Income

Rental income from operating leases is recognised on a straight-line basis for those leases with fixed annual rent increases. An asset is recognised to represent the portion of operating lease revenue in a reporting year relating to fixed increases in operating lease rentals in future periods. This receivable is considered to be a component of the relevant property investment carrying value.

Outgoings & Other Revenue

Outgoings recoverable from tenants and other revenue are recognised when the right to receive the revenue has been established.

Changes in the value of investment properties are recognised when differences arise between the fair value of an investment property, as determined by revaluations performed by the Board and independent valuations specialisations, and it's carrying value.

c) Finance Income & Finance Expenses

Finance income comprises interest income on bank deposits. Interest revenue is recognised on an effective interest rate method as it accrues.

Finance expenses comprise interest expense, amortised borrowing costs and write off of deferred borrowing costs and other costs associated with unused debt facilities.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

d) Tax

Under current Australian income tax legislation, the Trust is not liable to income tax, provided:

- unit holders are presently entitled to all the Trust's income at each year end; and
- the Trust only invests in land primarily for deriving rental income or units that invest in land primarily for the purpose of deriving rental income.

The Company and its wholly owned subsidiaries are liable to corporate income tax, have formed a tax consolidated group and will be subject to tax at the current corporate income tax rate of 25% (2022: 25%)

The HPI Rights Plan Trust, a subsidiary of the Company, is subject to income tax at the top marginal tax rate. For the year ending 30 June 2023 this rate is 47% (2022: 47%).

e) Goods & Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

f) Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

g) Share-Based Payment Transactions

The initial fair value of a share-based payment is established at grant date. The awards granted to employees are recognised as an expense, with a corresponding increase in the share-based payment reserve over the period during which the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance are expected to be met.

h) Repurchase & Reissue of Ordinary Securities (Treasury Securities)

When securities recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased securities are classified as treasury securities and are presented in the treasury security reserve. When treasury securities are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transactions is presented within contributed equity.

i) Investment Property

Investment property is property held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured initially at cost. After initial recognition, investment properties are stated at fair value, which is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction and reflects market conditions at the reporting date. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

The HPI Group policy is to independently value at least one third of all properties each financial year. A greater number of valuations may be sought if the Board determines that circumstances have arisen that warrant it. The remainder of properties will be valued by the Directors.

Where external valuation capitalisation rates have deteriorated, the Directors will consider if the average market capitalisation expansion appropriately applies to the market capitalisation rates of the remaining investment properties in determining the Directors' valuations. Additional valuations or desktop reviews may be sought.

Where external valuation market capitalisation rates have improved, the Directors will, in the first instance, maintain the existing capitalisation rate and use the present net rent in determining the Directors' valuations. However, in the circumstance where the general improvements in market capitalisation rates in the external valuations is assessed to be relevant and significant to properties under Directors' valuation, a greater number of external valuations will be sought for consideration.

Importantly, the Directors will take into consideration any property nuances, specific market factors, property location, rent abatements and change in weighted average lease expiry before deciding on the final Directors' valuation.

j) Assets Held For Sale

Properties that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. These assets are reclassified from investment property to assets held for sale at the fair value as at the previous reporting year. Any subsequent gains or losses on re-measurement are recognised in profit or loss.

k) Plant & Equipment

Recognition & Measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within other income in the profit or loss.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Furniture & Fittings	5 years
Computer Hardware & Software	5-7 years
Office Equipment	15 years

l) Financial Instruments

Derivative Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit or Loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

At 30 June 2023 the HPI Group held an interest rate swap hedging instrument which has been designated as a FVTPL instrument.

Non-Derivative Financial Assets

The HPI Group initially recognises receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the HPI Group becomes a party to the contractual provisions of the instrument.

The HPI Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained is recognised as a separate asset or liability.

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the HPI Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The HPI Group has the following non-derivative financial assets:

Loans & Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash & Cash Equivalents

Cash and cash equivalents comprise cash balances held at year end that are subject to an insignificant risk of changes in their fair value and are used by the HPI Group in the management of its short-term commitments.

Non-Derivative Financial Liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the HPI Group becomes a party to the contractual provisions of the instrument. The HPI Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when the HPI Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The HPI Group's non-derivative financial liabilities are loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

Issued Units & Issued Securities

Issued units in the Trust are classified as equity. Incremental costs directly attributable to the issue of units are recognised as a deduction from equity. Issued shares in the Company are classified as equity.

m) Impairment

Non-Derivative Financial Assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due on terms that the HPI Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers and observable date indicating that there was a measurable decrease in the expected cash flows from a group of financial assets. The HPI Group allocates each exposure to credit loss risk based on data that is determined to be predictive of the risk of loss and apply experienced credit judgement.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the HPI Group considers that there were no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss will be reversed through profit or loss.

Non-Financial Assets

The carrying amounts of the HPI Group's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

n) Leases

A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items whereas lessors continue to classify leases as finance or operating leases.

The Group depreciates the right-of-use assets on a straight-line basis from the initial adoption date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments based on an explicit rate. On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities was 3.8%.

NOTE 4

Determination of Fair Values

A number of the HPI Group's accounting policies and disclosures require the determination of fair value, for both financial and non- financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Investment Property

Independent valuations of investment properties which the HPI Group intends to hold are obtained from suitably qualified independent valuers as discussed in notes 3 (i) and 14. Where properties have not been independently valued at reporting date, properties will be valued by Directors of the Company by capitalising the assessed net rent at the appropriate market capitalisation rate.

The valuations of individual properties are prepared inclusive of liquor and gaming licences owned by the HPI Group. The fair value of investment properties is based on the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. Valuations for properties are determined by reference to the net rent for each property and an applicable market capitalisation rate. Selection of an appropriate market capitalisation rate is based on multiple criteria including risk associated with achieving the net rent cash flows into the future and observed market-based rates for similar properties where they are available.

Alternatively, a components valuation approach is adopted whereby fair value is determined with reference to the value of the gaming authorities, the remaining lease income and the value of the land. Valuations reflect the creditworthiness of the tenant including market perceptions of the tenant's creditworthiness, the responsibility and division of property holding costs between the lessor and the lessee, the remaining economic life of the property and having regard to specific current market conditions at each location. Properties held for sale are valued at the fair value as at the previous reporting period. Any subsequent gains or losses on remeasurement are recognised in profit or loss.

Properties newly acquired are valued using transaction price. The best evidence of the fair value of investment property on initial recognition is normally the transaction price – i.e. the fair value of the consideration given. If the Group determines that the fair value on initial recognition differs from the transaction price then the investment property is measured at fair value with the difference recognised in profit or loss.

Subsequently, the investment property is revalued using the techniques described above.

b) Share-Based Payment Transactions

The fair value of the share-based payments as at the grant date is determined independently using a Monte Carlo simulation. A Monte Carlo simulation model simulates the path of the security price according to a probability distribution assumption. After a large number of simulations, the arithmetic average of the outcomes, discounted to the valuation date, is calculated to represent the option value. Service and non-market performance conditions attached to the arrangements are not taken into account in measuring fair value.

NOTE 5

Financial Risk Management

The HPI Group has exposure to the following risks:

- Credit Risk
- Liquidity Risk
- Market (Price) Risk
- Capital Management

This note presents information about the HPI Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Company has overall responsibility for the establishment and oversight of the risk management framework.

The Company has established and maintains risk management policies and procedures to identify and analyse the risks faced by the HPI Group, sets appropriate risk limits, and monitors risks and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the HPI Group's activities.

a) Credit Risk

Credit risk is the risk of financial loss to the HPI Group if a customer or counterparty to a financial arrangement fails to meet its contractual obligations and arises principally from the HPI Group's receivables from tenants.

Rental & Outgoing Receivables

The HPI Group's exposure to credit risk is influenced mainly by the individual characteristics of its tenants. The HPI Group has sought to reduce this tenancy risk by establishing leases with reputable tenants of multiple properties. These are considered to be experienced operators in the pub industry with a strong financial position. Approximately 75.7% of the HPI Group's rental revenue is attributable to one major tenant, QVC.

In the event of rental defaults by any of the HPI Group's pub tenants or if a lease comes to an end the liquor and gaming licenses where owned, will revert to the HPI Group which will therefore have a business capable of immediate sale. Should there be any intervening period of time between surrender and sale of the new lease, then the lease can be operated on behalf of the HPI Group by another operator.

b) Liquidity Risk

Liquidity risk is the risk that the HPI Group will not be able to meet its financial obligations as they fall due. The HPI Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the HPI Group's reputation. The HPI Group maintains a prudent level of gearing (targeting a 35-45% range) to mitigate liquidity risk associated with refinancing.

c) Market (Price) Risk

Market risk is the risk that changes in market prices, such as interest rates will affect the HPI Group'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 within these parameters.

Interest Rate Risk

Interest rate risk for the HPI Group arises from borrowings on which interest is charged on a variable rate basis. This risk is mitigated by a portion of fixed rate debt. Interest rate risk also exists for interest earned on cash and cash equivalents.

Property Valuation Risk

The HPI Group owns a number of investment properties and their valuations may increase or decrease from time to time. The HPI Group's loan agreements contain financial covenants which include a Gearing Ratio covenant and a Total Asset covenant. The HPI Group monitors the risk of breach of these covenants by regularly performing sensitivity analysis.

d) Capital Management

The HPI Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The HPI Group monitors the return on equity as well as capitalisation rates on the property portfolio.

The HPI Group considers its borrowings as part of its capital management strategy. The borrowing agreements contain financial covenants within which the HPI Group must always operate, including a Gearing covenant, an Interest Cover Ratio (ICR) covenant and a net assets covenant. The Board monitors compliance with the financial covenants through forward projections to ensure that the HPI Group is unlikely to breach the covenants into the future. The HPI Group complied with the covenants for the year ended 30 June 2023.

The HPI Group has targeted a gearing ratio in the range of 35% to 45% in the normal course of business, which has been determined as an appropriate range given the nature of the business. However, gearing may be higher if the HPI Board consider the circumstances warrant a short- term increase and it is prudent to increase gearing. The targeted gearing ratio range is lower than the covenant in the borrowing agreements, which requires the HPI Group to have a Gearing ratio of less than 60%.

The distribution policy of the HPI Group has been established taking into consideration the covenants of the borrowing agreements and may be adapted to maintain gearing within the range of 35-45% in the normal course of business.

NOTE 6

Stapling

The stapling of the units of the Trust and the shares of the Company occurred on 10 December 2013 for the purpose of the public quotation of the HPI Group on the ASX. Australian Accounting Standards require an acquirer to be identified in a business combination. In relation to the stapling of the Company and the Trust, the Trust has been identified as the acquirer due to its large relative size to the Company.

In a business combination achieved as a consequence of stapling, the acquirer receives no equity interests in the acquiree. Therefore 100% of the acquiree's equity is attributable to the Securityholders of the Company and is accounted for as non-controlling interests. Also, as a result no goodwill is recognised.

As the Trust has not acquired an equity interest in the Company, no consideration was transferred in connection with the stapling. The Company had no assets at the time of stapling.

NOTE 7

Auditor's Remuneration

	2023	2022
	$	$
KPMG Australia Audit of financial reports	224,091	184,520
Audit of AFSL	10,282	9,477
Audit of compliance plan	10,627	9,795
	245,000	**203,792**

NOTE 8

Other Expenses

	2023	2022
	$'000	$'000
Advisory & legal fees	535	671
Auditor's remuneration	245	203
Directors' fees	347	374
Employment expenses	2,149	2,113
Insurance	631	615
All other expenses	972	1,379
	4,879	**5,355**

NOTE 9

Finance Expenses

	2023	2022
	$'000	$'000
Interest expense	24,002	16,205
Amortised borrowing costs	770	867
Borrowing costs written off	229	-
Other finance costs	120	116
	25,121	**17,188**

NOTE 10

Cash & Cash Equivalents

	2023	2022
	$'000	$'000
Cash at bank & on hand	972	837

NOTE 11

Trade & Other Receivables

	2023	2022
	$'000	$'000
Current trade receivables	405	1,097
Less: allowance for impairment	-	(9)
Net trade receivables	405	1,088
Other receivables	1,180	30
	1,585	**1,118**

Other receivable include a deposit of $0.9 million for the Strand Hotel. Refer to Note 34 for further details.

NOTE 12

Other Current / Non-current Assets

	2023	2022
	$'000	$'000
Other current assets	1,584	1,407
Interest rate swap hedging instrument	2,391	-
	3,975	**1,407**
Other non-current assets	5,000	5,000
	5,000	**5,000**

Other assets - non-current held at 30 June 2023 are investments in the Harvest Hotels Pub Fund 2 and the ACRE Commercial Income Fund No. 2.

NOTE 13

Assets Held For Sale

	2023	2022
	$'000	$'000
Assets held for sale	**15,185**	**34,815**

The Hotel Allen, Royal Hotel and Lord Stanley Hotel were all classified as held for sale as at 30 June 2022. The Royal Hotel and Lord Stanley Hotel were disposed by 31 December 2022 and the Hotel Allen remains classified as held for sale as at 30 June 2023.

NOTE 14

Investment Property

All investment properties are freehold and 100% owned by the Company as appointed sub-custodian of the HPI Trust, except for the Crown Hotel, Quest Griffith, Jubilee Tavern, Mango Hill Centre, Surf Air Tavern, Capella Hotel, Commonwealth Hotel, White Bull Tavern, Commercial Hotel and Grand Hotel which are owned by wholly owned subsidiaries of the HPI Trust. Investment properties comprised land, buildings, fixed improvements and liquor and gaming licenses. Plant and equipment are held by the tenant.

Reconciliation of Movements	2023	2022
	$'000	$'000
Investment property	**1,238,330**	**1,261,420**
Carrying amount at the beginning of the year	1,261,420	952,508
Acquisition of investment properties	4,258	105,648
Disposal of investment properties	(6,047)	(24,600)
Transfer to assets held for sale	-	(34,815)
Capital additions on investment properties	13,370	89,921
Straight line lease adjustments	1,349	1,444
Fair value adjustments	(36,020)	171,314
Carrying amount at the end of the year	**1,238,330**	**1,261,420**

Leasing Arrangements

The investment properties are each leased to their respective tenants inclusive of any liquor and gaming licenses attached to these properties under long-term operating leases with rentals payable monthly. The HPI Group has incurred no material lease incentive costs to date.

Valuation of Investment Properties

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

The valuations of individual properties are prepared inclusive of liquor and gaming licenses owned by the HPI Group. The fair value of investment properties is based on the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. Valuations for properties are determined by reference to the net rent for each property, and an applicable capitalisation rate. Selection of an appropriate capitalisation rate is based on multiple criteria, including risk associated with achieving the net rent cash flows into the future and observed market based capitalisation rates for similar properties in the same location, condition, and subject to similar lease terms, where they are available.

Alternatively, a components valuation approach is adopted whereby fair value is determined with reference to the value of the gaming authorities, the remaining lease income and the value of the land. Valuations reflect the creditworthiness of the tenant including market perceptions of the tenant's creditworthiness, the responsibility and division of property costs between the lessor and the lessee, the remaining economic life of the property and having regard to specific current market conditions at each location. Properties held for sale are valued at the fair value as at the previous reporting period. Any subsequent gains or losses on remeasurement are recognised in profit or loss.

Fair value adjustments at 30 June 2023

Independent valuations were obtained for 23 investment properties during the year ended 30 June 2023. These valuations were completed by Savills, Colliers International & Advisory Services and Cushman & Wakefield Valuations Pty Ltd.

All of the the remaining investment properties within the portfolio that were not valued at 30 June 2023 were independently valued at 31 December 2022 except for the Hotel Allen which has been classified as Held for Sale and the Cornerstone Ale House which was acquired in March 2023.

	2023	2022
Market capitalisation rate range at last independent valuation	**4.75% - 8.25%**	**4.25% - 8.75%**

Fair Value Hierarchy

The fair value measurement for investment property of $1,238 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. The table above shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

Reconciliation of Fair Value Gains	2023	2022
	$'000	$'000
Fair value as at beginning of the period	1,261,420	952,508
Capital additions on investment properties	13,370	89,921
Disposals	(6,047)	(24,600)
Transfer to other current assets	-	(34,815)
Straight line lease adjustment	1,349	1,444
Acquisitions	4,258	105,648
Carrying amount before revaluations	1,274,350	1,090,106
Fair value as at end of period	**1,238,330**	**1,261,420**
Fair value (loss) / gain for the period	**(36,020)**	**171,314**

Valuation Technique & Significant Unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation Technique	Significant Unobservable Inputs	Inter-relationship Between Key Observable Inputs & Fair Value Measurement
Capitalisation of rent allowing for the following adjustments:		**The estimated fair value would increase / (decrease) if:**
	Net market rent	Net rent was higher / (lower)
	Capitalisation rates	Capitalisation rates were lower / (higher)
• Additional land	Residual value of land	Residual value of land was higher / (lower) in value
• Capital allowance	Timing and amount of future capital allowance	Capital allowance was smaller / (larger)

Assets Owned *as at 30 June 2023*

PROPERTY	LOCATION	Footnote	30 June 2023 Cap'n Rate[1]	30 June 2023 Fair Value $'000	30 June 2022 Cap'n Rate[1]	30 June 2022 Fair value $'000
Avenues Bar & Café	Adelaide SA	3	5.50%	16,550	5.50%	17,020
Ball Court Hotel	Sunbury VIC	2	5.25%	8,550	5.25%	7,700
Barron River Hotel	Stratford QLD	5	n/a	n/a	5.75%	5,680
Beenleigh Tavern	Eagleby QLD	3	5.31%	18,200	4.50%	20,400
Berserker Tavern	Rockhampton QLD	3	5.50%	15,200	6.50%	12,500
Bonny View Tavern	Bald Hills QLD	2	5.00%	11,600	4.75%	11,700
Boomerang Motor Hotel	West Mackay QLD	3	5.50%	9,950	5.50%	8,000
Bribie Island Hotel	Bellara QLD	3	5.50%	33,200	5.50%	31,300
Brighton Hotel	Brighton QLD	3	4.98%	23,300	4.50%	25,000
Brighton Metro Hotel	Brighton SA	3	5.25%	23,770	5.25%	22,000
Caboolture Sundowner Hotel Motel	Caboolture QLD	2	5.25%	20,450	4.50%	22,910
Capella Hotel	Capella QLD	2	8.25%	3,650	8.50%	3,380
Chancellors Tavern	Sippy Downs QLD	2	5.50%	25,200	5.00%	26,600
Cleveland Sands Hotel	Cleveland QLD	3	5.10%	45,400	4.50%	48,070
Cleveland Tavern	Cleveland QLD	2	5.25%	24,000	4.50%	26,900
Club Hotel	Gladstone QLD	3	5.50%	10,100	6.75%	7,900
Commercial Hotel	Clermont QLD	2	8.25%	3,550	8.75%	3,180
Commonwealth Hotel	Roma QLD	2	7.50%	10,500	7.50%	10,150
Coomera Lodge Hotel	Oxenford QLD	2	4.75%	13,600	4.50%	10,150
Cornerstone Ale House	Butler WA	8	7.00%	4,000	n/a	n/a
Crown Hotel	Lutwyche QLD	3	5.58%	54,610	5.25%	50,000
Diamonds Inala Hotel	Inala QLD	2	5.25%	21,450	4.50%	24,050
Diamonds Tavern	Kallangur QLD	3	5.04%	15,500	4.50%	17,200
Dunwoodys Tavern	Cairns QLD	3	5.25%	39,200	5.50%	34,900
Edwardes Lake Hotel	Sunbury VIC	2	5.00%	29,400	5.00%	28,700
Empire Alternacade & Events	Cairns QLD	3	5.25%	13,800	5.25%	13,200
Everton Park Hotel	Everton Park QLD	2	5.25%	34,550	4.50%	41,400
Ferry Road Tavern	Southport QLD	3	5.25%	46,420	5.00%	47,350
Fitzys Loganholme	Loganholme QLD	2	5.25%	36,700	4.50%	41,000
Fitzys Waterford	Waterford QLD	2	5.25%	27,300	4.50%	30,600
Grafton Hotel	Edmonton QLD	3	5.50%	10,500	5.75%	9,700
Grand Hotel	Clermont QLD	2	8.25%	3,200	8.25%	3,060
Grand Junction Hotel	Pennington SA	3	5.50%	16,900	5.50%	16,200
Gregory Hills Hotel	Gregory Hills NSW	3	4.75%	48,400	4.25%	53,200
Hotel HQ	Underwood QLD	3	5.18%	36,700	4.50%	39,170
Jubilee Tavern	Airlie Beach QLD	3	5.50%	13,200	6.00%	11,700
Kings Beach Tavern	Caloundra QLD	3	5.25%	31,800	5.00%	32,100
Kooyong Motor Hotel	North Mackay QLD	3	5.50%	13,180	7.50%	9,630
Leichhardt Hotel	Rockhampton QLD	2, 7	n/a	1,200	6.75%	9,800
Lord Stanley Hotel	East Brisbane QLD	4	n/a	n/a	5.50%	15,800
Magnums Tavern	Airlie Beach QLD	2	6.25%	29,000	5.75%	30,500
Mango Hill Tavern	Mango Hill QLD	3	5.25%	45,380	5.00%	47,100
Mi Hi Tavern	Brassal QLD	2	5.20%	27,500	4.50%	30,700
Mick O'Shea's Hotel	Hackham SA	3	5.50%	9,600	5.75%	9,200
Mile End Hotel	Mile End SA	3	5.25%	13,400	5.25%	13,380
Palm Cove Tavern	Palm Cove QLD	2	5.50%	11,800	5.50%	11,270
Quest Griffith	Griffth NSW	3	7.00%	16,800	7.50%	17,900
Royal Hotel	West End QLD	5	n/a	n/a	7.00%	3,830
Royal Mail Hotel	Tewantin QLD	2	5.50%	17,450	6.50%	22,900
Summerhill Hotel	Reservoir VIC	3	5.50%	33,100	5.50%	32,600
Surfair Beach Hotel	Marcoola QLD	3	5.75%	13,500	5.75%	13,100
The Duck Inn	Coromandel Valley SA	3	5.25%	12,900	5.25%	12,890
The Hotel Allen	Northward QLD	6	7.00%	15,185	7.00%	15,185
The Regatta Hotel	Toowong QLD	3	4.75%	63,800	4.75%	61,000
The Unley	Parkside SA	3	5.25%	5,950	5.38%	5,000
The Victoria Hotel	Strathalbyn SA	3	5.50%	6,500	5.88%	6,030
The Wallaby Hotel	Mudgeeraba QLD	3	5.50%	22,430	5.50%	23,000
Tom's Tavern	Aitkenvale QLD	3	6.00%	26,930	6.00%	26,200
Trinity Beach Tavern	Trinity Beach QLD	2	6.50%	22,000	6.00%	22,960
Waterloo Tavern	Paralowie SA	2	5.75%	31,100	5.75%	28,200
West End Hotel	Adelaide SA	3	5.25%	3,450	5.38%	3,320
White Bull Tavern	Roma QLD	2	7.50%	3,500	7.50%	3,370
Woodpecker Tavern	Burpengary QLD	3	5.03%	7,460	4.50%	7,300
Total Investment Properties			**5.42%**	**1,253,515**	**5.21%**	**1,296,235**
Less: Assets classified as held for sale		6	**-**	**(15,185)**	**-**	**(34,815)**
Total Investment Properties at 30 June 2023			**5.39%**	**1,238,330**	**5.18%**	**1,261,420**

1 Capitalisation rate at last independent valuation
2 Independent valuations obtained as at 30 June 2023
3 Independent valuations obtained as at 31 December 2022
4 Sold in August 2022
5 Sold in November 2022
6 Classified as held for sale
7 Valued as a development site
8 Acquired in March 2023

Brighton Metro Hotel
Brighton SA

NOTE 15

Taxes

	2023 $'000	2022 $'000
a) Tax expense recognised in profit or loss		
Current tax expense	156	63
Deferred tax (benefit) / expense	(35)	10
Tax expense attributable to profit from continuing operations	121	73
b) Numerical reconciliation between tax expense & pre-tax accounting profit		
Profit before tax	3,711	211,519
Income tax expense calculated at 25% and 47%	1,594	52,891
Trust income not subject to tax	(1,473)	(52,881)
Effect of permanent differences	-	59
Other adjustments	-	4
Tax expense on profit before tax	121	73

c) Recognised deferred tax assets & liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Plant & equipment	1	6	-	-	1	6
Accrued expenses	36	23	-	-	36	23
Employee liabilities	80	54	-	-	80	54
Leases	98	130	91	124	7	6
	215	213	91	124	124	89

d) Movements in deferred tax balances during the year	2023 $'000	2022 $'000
Balance at the beginning of the year	89	99
Recognised in profit or loss	35	(10)
	124	89
Balance represented as follows:		
Deferred tax asset	215	213
Deferred tax liability	(91)	(124)
	124	89

NOTE 16

Trade & Other Payables

	2023 $'000	2022 $'000
Trade payables	453	454
Accrued interest	4,757	4,480
Other payables	5,464	4,492
	10,674	9,426

NOTE 17

Employee Benefit Liabilities

	2023 $'000	2022 $'000
Annual leave provision	208	140
Long service leave provision	112	76
Bonus provision	798	971
	1,118	1,187
Represented as follows:		
Current liabilities	971	845
Non-current liabilities	147	342
	1,118	1,187

Fitzys Loganholme
Loganholme QLD

NOTE 18

Loans & Borrowings

	2023	2022
	$'000	$'000
Non-current		
USPP Notes	308,728	308,449
Loans	146,274	155,784
	455,002	**464,233**

U.S. Private Placement (USPP) Notes	2023	2022
	$'000	$'000
USPP Notes - drawn	310,000	310,000
Borrowing costs capitalised	(2,481)	(2,482)
Accumulated amortisation of borrowing costs	1,209	931
	308,728	**308,449**

The USPP issue comprises five tranches of unsecured, Australian Dollar denominated notes:

- A$100 million fixed interest loan with an 8-year tenor, maturing in August 2025;
- A$30 million fixed interest loan with a 10-year tenor, maturing in August 2027;
- A$40 million fixed interest loan with a 7-year tenor, maturing in August 2028;
- A$40 million fixed interest loan with a 12-year tenor, maturing in August 2033; and
- A$100 million floating interest loan with a 10-year tenor, maturing in August 2027.

Loans – Common Terms Deed (CTD)	2023	2022
	$'000	$'000
CTD - drawn	147,200	157,000
Borrowing costs capitalised	(2,608)	(2,443)
Accumulated amortisation of borrowing costs	1,368	1,142
Accumulated borrowing costs expensed	314	85
	146,274	**155,784**

There are three facilities, each bilaterally provided under the Common Terms Deed ("CTD") and totalling $210.6 million as at 30 June 2023 of which $5.6 million is a guarantee facility. Of these facilities, $100 million expires on 24 December 2024 and $110.6 million expires on 29 May 2026.

Facility Limits

The available facilities and the amounts drawn are summarised below.

2023	USPP	CTD	Guarantee	Total
	$'000	$'000	$'000	$'000
Facility limit	310,000	205,000	5,578	520,578
Drawn	(310,000)	(147,200)	(5,578)	(462,778)
Available	-	**57,800**	-	**57,800**

2022	USPP	CTD	Guarantee	Total
	$'000	$'000	$'000	$'000
Facility limit	310,000	220,000	5,578	535,578
Drawn	(310,000)	(157,000)	(5,578)	(472,578)
Available	-	**63,000**	-	**63,000**

NOTE 19

Provisions

Provision for distribution	2023	2022
	$'000	$'000
Balance at the beginning of the year	19,902	16,905
Provisions made during the year	36,089	39,519
Provisions used during the year	(37,753)	(36,522)
Balance at the end of the year	**18,238**	**19,902**

Distribution

The provision for distribution relates to distributions to be paid to stapled Securityholders on 1 September 2023. This distribution will be funded via drawdown on the CTD loan facility.

NOTE 20

Contributed Equity

	No. of Securities	Security Price	$'000
On issue at 30 June 2022 – fully paid	193,502,929		412,027
Units issued under the DRP on 2 September 2022	794,259	3.2230	2,560
On issue at 30 June 2023 – fully paid	**194,297,188**		**414,587**
On issue at 30 June 2021 – fully paid	174,551,384		349,107
Units issued under the DRP on 3 September 2021	733,990	3.1930	2,347
Units issued under capital raising	14,705,883	3.4000	50,000
Units issued under security purchase plan	2,608,406	3.4000	8,869
Transaction costs			(1,466)
Units issued under the DRP on 4 March 2022	903,266	3.5100	3,170
On issue at 30 June 2022 – fully paid	**193,502,929**		**412,027**

Stapled Securities

The units in the Trust are stapled to the securities in the Company and are referred to as 'stapled securities'. The stapled securities entitle the holder to participate in distributions and dividends and the proceeds on winding up of the HPI Group in proportion to the number of stapled securities held. On a show of hands every stapled Securityholder present at a meeting in person or by proxy, is entitled to one vote.

A unit confers on its holder an undivided absolute, vested and indefeasible beneficial interest in the Trust as a whole, subject to Trust liabilities, not in parts or single assets. All units confer identical interests and rights. Each member registered at the record date has a vested and indefeasible interest in a security of the distribution in proportion to the number of units held by them. All issued units are fully paid.

Treasury Securities

Contributed equity reflects the number of stapled securities on market at balance date, inclusive of the effect of treasury securities held. (Refer to note 22).

Distribution Reinvestment Plan (DRP)

The HPI Group has a Distribution Reinvestment Plan (DRP) whereby Securityholders are free to choose the proportion of their distribution entitlements satisfied by the issue of new units rather than cash.

NOTE 21

Retained Earnings

	2023	2022
	$'000	$'000
Balance at the beginning of the year	398,456	226,529
Profit for the year	3,590	211,446
Distribution to stapled Securityholders	(17,851)	(19,617)
Provision for distribution to stapled Securityholders	(18,238)	(19,902)
Balance at the end of the year	**365,957**	**398,456**

NOTE 22

Reserves

	Treasury Security Reserve	Share Based Payment Reserve	Total
	$'000	$'000	$'000
Opening balance at 1 July 2022	(856)	346	(510)
Purchase of treasury securities	-	134	134
Recognition of share-based payment expense	120	-	120
Acquisition of shares	(112)	-	(112)
Closing balance at 30 June 2023	**(848)**	**480**	**(368)**
Opening balance at 1 July 2021	(856)	233	(623)
Recognition of share-based payment expense	-	113	113
Closing balance at 30 June 2022	**(856)**	**346**	**(510)**

Treasury Security Reserve

The Treasury security reserve comprises the cost of the HPI Group's securities which were purchased on-market and are held by the HPI Rights Plan Trust. At 30 June 2023, the HPI Group held 272,992 securities (30 June 2022: 278,069).

Share Based Payment Reserve

The share-based payments reserve comprises amounts recognised under the long-term incentive plan for executive employees and is the portion of the fair value of the total cost recognised in profit and loss of the unissued securities, which remain conditional on employment with the HPI Group at the relevant vesting date and certain market-based performance hurdles being obtained.

NOTE 23

Net Assets Per Stapled Security

	2023	2022
Number of stapled securities on issue as at the end of the year	194,297,188	193,502,929
Less: treasury securities	(272,992)	(278,069)
Adjusted number of stapled securities on issue as at the end of the year	194,024,196	193,224,860
Net assets at balance date	$780,176,111	809,973,459
Net assets per stapled security	**4.02**	**4.19**

NOTE 24

Earnings Per Security & Stapled Security

	2023	2022
Profit for the year attributable to stapled Securityholders	**$3,590,000**	**$211,446,000**
Weighted average number of stapled securities		
On issue at the beginning of the period	193,502,929	174,551,384
Add: Distribution reinvestment securities	654,992	899,779
Add: Capital raising securities	-	11,442,386
Add: Security purchase plan	-	1,765,140
Less: Effect of treasury securities held*	(264,861)	(278,069)
Weighted average number of stapled securities	**193,893,060**	**188,380,620**
Basic earnings per stapled security – cents	1.85	112.24
Diluted earnings per stapled security - cents	1.85	112.08

Earnings Per Security	2023	2022
Profit for the year attributable to the Unitholders of the Trust	**$3,310,000**	**$211,416,000**
Basic earnings per security of the Trust – cents	1.71	112.23
Diluted earnings per security of the Trust - cents	1.70	112.06

* The effect of treasury securities held is the weighted average of 264,861 (2022: 278,069) securities held from date of acquisition to the end of the year.

NOTE 25

Distributions

Number of stapled securities on issue as at the end of the year. Distributions are shown exclusive of expected distributions payable on treasury securities.

2023	Total Distribution $'000	No. of Stapled Securities	Distribution Per Stapled Securities (Cents)
1 July 2022 to 31 December 2022	17,851	194,024,196	9.2
1 January 2023 to 30 June 2023	18,238	194,024,196	9.4
	36,089		**18.6**
2022	**Total Distribution $'000**	**No. of Stapled Securities**	**Distribution Per Stapled Securities (Cents)**
1 July 2021 to 31 December 2021	19,617	192,321,594	10.2
1 January 2022 to 30 June 2022	19,902	193,224,860	10.3
	39,519		**20.5**

NOTE 26

Leases

The HPI Group leases out its investment properties under operating leases which are owned by HPI Group and are rented out to tenants who do not receive the risks and rewards of ownership (refer to note 14).
The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Leases as Lessor	30 June 2023	30 June 2022
	$'000	$'000
Less than one year	71,932	69,373
One to two years	71,890	70,707
Two to three years	70,254	70,009
Three to four years	68,847	71,015
Four to five years	55,874	65,451
More than five years	530,587	526,749
	869,384	**873,304**

The Company leases its head office space and printing equipment and has applied lease accounting under AASB 16. Information about lease payments for which the Responsible Entity is a lessee is presented below.

Leases as Lessee

	Property	Equipment	Total
	$'000	$'000	$'000
Right of use asset			
Balance at 1 July 2022	464	10	474
Depreciation charge for the year	(105)	(3)	(108)
Balance at 30 June 2023	**359**	**7**	**366**
Balance at 1 July 2021	568	13	581
Depreciation charge for the year	(104)	(3)	(107)
Balance at 30 June 2022	**464**	**10**	**474**

Lease Liabilities 2023

	Future Minimum Lease Payments	Interest	PV of Minimum Lease Payments
	$'000	$'000	$'000
Less than one year	117	(10)	107
Between one and five years	299	(11)	288
More than five years	-	-	-
	416	**(21)**	**395**
Lease Liabilities 2022			
Less than one year	113	(13)	100
Between one and five years	417	(21)	396
More than five years	-	-	-
	530	**(34)**	**496**

Payments made under finance leases reduce the right of use liability by the difference between the interest cost which is recognised in profit or loss and the total amount of payment.

NOTE 27

Group Entities

Subsidiaries

	Country of Incorporation	Ownership Interest
The C.H. Trust	Australia	100%
HPI Hold Trust No. 1	Australia	100%
HPI Retail Fund No. 1	Australia	100%
HPI Vic Sub Trust No. 1	Australia	100%
HPI NSW Sub Trust No.1	Australia	100%
HPI Acacia Ridge Trust	Australia	100%
HPI ABH Trust	Australia	100%
Hotel Property Investments Limited	Australia	100%[1]
C.H. Properties Pty Ltd	Australia	100%[1]
HPI LTIP Pty Ltd	Australia	100%[1]
HPI Holdings No.1 Pty Ltd	Australia	100%[1]
HPI Retail Fund No. 1 Pty Ltd	Australia	100%[1]
HPI Sub Fund No. 1 Pty Ltd	Australia	100%[1]
HPI Acacia Ridge Pty Ltd	Australia	100%[1]
HPI ABH Pty Ltd	Australia	100%[1]
HPI Rights Plan Trust	Australia	[2]

1 Hotel Property Investments Limited is not a subsidiary of the Trust, Hotel Property Investments Limited is stapled to the Trust. C.H. Properties Pty Ltd, HPI Holdings No. 1 Pty Ltd, HPI Retail Fund No. 1 Pty Ltd, HPI Sub Fund No. 1 Pty Ltd, HPIL LTIP Pty Ltd, HPI Acacia Ridge Pty Ltd and HPI ABH Pty Ltd are 100% subsidiaries of Hotel Property Investments Ltd.

2 The HPI Rights Plan Trust is deemed to be controlled by the HPI Group and is therefore classified as a subsidiary for financial reporting purposes.

NOTE 28

Parent Entity

As at and throughout the financial year ended 30 June 2023 the parent entity of the HPI Group was the Trust.

Results of the Parent Entity	2023	2022
	$'000	$'000
(Loss) / profit for the year	(192)	191,828
Other comprehensive income	-	-
Total comprehensive income	**(192)**	**191,828**
Financial position of the parent entity at year end		
Current assets	131,407	146,477
Total assets	1,208,847	1,251,957
Current liabilities	29,001	29,108
Total liabilities	484,002	493,341
Net assets	**724,845**	**758,616**
Total equity of the parent entity comprising of:		
Contributed equity	414,587	412,027
Retained earnings	310,258	346,589
Total equity	**724,845**	**758,616**

The parent entity's contingent assets and commitments are the same as those of the HPI Group as disclosed in notes 32 and 34. The parent's contingent liabilities comprise of a bank guarantee, as disclosed in note 33.

NOTE 29

Related Parties

Key Management Personnel

The key management personnel of the HPI Group during the year were: the non-executive directors of the Company, the Chief Executive Officer & Managing Director and the Chief Financial Officer & Company Secretary.

Key Management Personnel Compensation

Key management personnel compensation during the year comprised the following:

	2023	2022
	$	$
Short-term employee benefits	1,385,508	1,808,067
Post-employment benefits	90,885	92,433
Leave entitlements	63,784	18,632
Share-based payment expense	133,507	112,884
	1,673,684	**2,032,016**

Post-employment benefits relate to defined contribution superannuation benefits.
No other related party transactions were entered during the year.

Chancellors Tavern
Sippy Downs QLD

NOTE 30

Financial Instruments

Accounting Classifications & Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities.

2023		Carrying Amount & Fair Value				
		Financial Assets at Amortised Cost	Financial Assets at Fair Value Through P&L	Financial Assets at Fair Value Through OCI	Other Financial Liabilities	Total
	Note	$'000	$'000	$'000	$'000	$'000
Financial assets not measured at fair value						
Trade and other receivables	11	1,585	-	-	-	1,585
Cash and cash equivalents	10	972	-	-	-	972
Interest rate swap hedging instrument	12	-	2,391	-	-	2,391
Other non-current assets	12	-	-	5,000	-	5,000
		2,557	**2,391**	**5,000**	**-**	**9,948**
Financial liabilities not measured at fair value						
Loans and borrowings	18	-	-	-	(455,002)	(455,002)
Trade and other payables	16	-	-	-	(10,674)	(10,674)
		-	**-**	**-**	**(465,676)**	**(465,676)**
2022						
Financial assets not measured at fair value						
Trade and other receivables	11	1,118	-	-	-	1,118
Cash and cash equivalents	10	837	-	-	-	837
Other non-current assets	12	-	-	5,000	-	5,000
		1,955	**-**	**5,000**	**-**	**6,955**
Financial liabilities not measured at fair value						
Loans and borrowings	18	-	-	-	(464,233)	(464,233)
Trade and other payables	16	-	-	-	(9,426)	(9,426)
		-	**-**	**-**	**(473,659)**	**(473,659)**

During the year the HPI Group entered into a $100 million 5-year callable interest rate swap which provides certainty for 2 years and can be recalled by the counter party between years 3 and 5.

The fair value of the callable interest rate swap is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counter party; this is calculated based on credit spreads derived from current credit default swap or bond prices.

Credit Risk

Exposure to Credit Risk

The carrying amount of the HPI Group's financial assets represents the maximum credit risk exposure. The HPI Group's maximum exposure to credit risk at the reporting date was:

	2023	2022
	$'000	$'000
Cash and cash equivalents	972	837
Trade receivables	405	1,097
	1,377	**1,934**

There was no credit risk exposure to regions other than Australia.

Concentrations of Credit Risk

The HPI Group's maximum exposure to credit risk for aged trade receivables as at the reporting date by type of customer was as follows:

		Gross	Impairment	Gross	Impairment
		2023		2022	
		$'000	$'000	$'000	$'000
Hotel tenants	Not past due	226	-	494	-
	Past due 0 – 30 days	5	-	59	-
	Past due 31 – 120 days	27	-	382	-
		258	**-**	**935**	**-**
Specialty tenants	Not past due	60	-	51	-
	Past due 0 – 30 days	29	-	39	-
	Past due 31 – 120 days	58	-	72	(9)
		147	**-**	**162**	**(9)**
		405	**-**	**1,097**	**(9)**

Impairment Losses

The HPI Group believes that the unimpaired amounts that are past due by more than 30 days are still collectable, based on historical payment behaviour. The HPI Group therefore believes that no impairment allowance is necessary in respect of trade receivables past due.

Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2023	Carrying Amount	Contractual Cash Flows	6 Months or Less	6-12 Months	1-2 Years	2-5 Years	More Than 5 Years
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Loans & borrowings	457,200	403,090	13,077	12,868	22,860	263,015	91,270
Trade & other payables	10,674	10,674	10,674	-	-	-	-
Provision for distribution	18,238	18,238	18,238	-	-	-	-
	486,112	**432,002**	**41,989**	**12,868**	**22,860**	**263,015**	**91,270**

2022	Carrying Amount	Contractual Cash Flows	6 Months or Less	6-12 Months	1-2 Years	2-5 Years	More Than 5 Years
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Loans & borrowings	467,000	519,036	9,916	10,686	21,917	249,853	226,664
Trade & other payables	9,426	9,426	9,426	-	-	-	-
Provision for distribution	19,902	19,902	19,902	-	-	-	-
	496,328	**548,364**	**39,244**	**10,686**	**21,917**	**249,853**	**226,664**

Market Risk

Interest Rate Risk

Interest rate profile of the HPI Group's interest-bearing financial instruments:

Variable rate instruments	2023	2022
	$'000	$'000
Financial assets	3,363	837
Financial liabilities	(247,200)	(257,000)
	(243,837)	**(256,163)**

Cash Flow Sensitivity Analysis for Variable Rate Instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

2023	Carrying amount	+ 100 BPS of AUD IR Profit/(Loss)	+ 100 BPS of AUD IR Equity	- 100 BPS of AUD IR Profit/(Loss)	- 100 BPS of AUD IR Equity
	$'000	$'000	$'000	$'000	$'000
Cash at bank	972	10	-	(10)	-
Interest rate swap hedging instrument	2,391	24	-	(24)	-
Loans and borrowings	(247,200)	(2,472)	-	2,472	-
	(243,837)	**(2,438)**	-	**2,438**	-

2022	Carrying amount	+ 100 BPS of AUD IR Profit/(Loss)	+ 100 BPS of AUD IR Equity	- 100 BPS of AUD IR Profit/(Loss)	- 100 BPS of AUD IR Equity
	$'000	$'000	$'000	$'000	$'000
Cash at bank	837	8	-	(8)	-
Loans and borrowings	(257,000)	(2,570)	-	2,570	-
	(256,163)	**(2,562)**	-	**2,562**	-

Fair Values

The fair values of variable-rate financial assets and liabilities approximate their carrying values.

NOTE 31

Reconciliation of Cash Flows from Operating Activities

Reconciliation of cash flows from operating activities with profit attributable to the stapled Securityholders	2023	2022
	$'000	$'000
Profit for the year	**3,590**	**211,446**
Adjusted for non-cash items:		
Fair value adjustment to investment property	36,020	(171,314)
Straight lining of rental income	(1,349)	(1,444)
Gain on hedging instrument	(2,391)	-
Amortisation of borrowing costs	999	867
Depreciation expense	24	39
Depreciation of right-of-use asset	108	107
Share-based payments expense	134	113
Tax expense	121	73
Investing Activities		
Finance costs	25,121	17,188
Change in operating assets & liabilities:		
Change in trade and other receivables	691	4,915
Change in other current assets	(1,335)	(35,214)
Change in trade and other payables	935	36,544
Change in provisions	(69)	48
Net cash from operating activities	**62,599**	**63,368**

NOTE 32

Contingent Assets

The HPI Group is not aware of any contingent assets as at 30 June 2023 which may materially affect the operation of the business (2022: nil).

NOTE 33

Contingent Liabilities

The HPI Group has issued a bank guarantee as security over the office premises for $78,304 (2022: $78,304).

The parent has issued bank guarantees totalling $5.6 million to the Company in its capacity of Responsible Entity (2022: $5.6 million).

The HPI Group is not aware of any other contingent liabilities at 30 June 2023 which may materially affect the operation of the business (2022: nil).

NOTE 34

Commitments

The HPI Group committed to a $30 million capital expenditure program across the portfolio which commenced in February 2022. As at 30 June 2023, $4.6 million of the commitment remains.

Prior to 30 June 2023 the HPI Group contracted to purchase the Strand Hotel in Yeppoon, QLD for a purchase price of $9.3m. Completion of the acquisition is contingent on the vendor completing certain works prior to settlement, which is expected by 30 September 2023.

Other than the commitments noted above, the HPI Group is not aware of any commitments at 30 June 2023 which may materially affect the operation of the business.

NOTE 35

Segment Information

The HPI Group operates wholly within Australia and derives rental income, as a freehold hotel owner and lessor.

Revenues from QVC represented approximately $53.6 million (2022: $53.5 million) of the HPI Group's total revenues.

NOTE 36

Subsequent Events

No item, transaction or event has occurred after 30 June 2023 that is likely in the opinion of the Directors of the Responsible Entity to significantly affect the operations of the HPI Group, the results of those operations, or the state of affairs of the HPI Group in future financial periods.

The Walrus Club (Regatta Hotel)
Toowong QLD

Directors' Declaration

In the opinion of the Directors of Hotel Property Investments Limited, as Responsible Entity for the Hotel Property Investments Trust:

1

The Consolidated Financial Statements and Notes, set out on pages 26 to 65, are in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the Hotel Property Investments Group financial position as at 30 June 2023 and of its performance for the twelve months ended on that date; and

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

2

There are reasonable grounds to believe that the Hotel Property Investments Trust will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by s295A of the Corporations Act 2001 from the Chief executive Officer and Chief Financial Officer for the financial year ended 30 June 2023.

The Directors draw attention to Note 2 to the Consolidated Financial Statements, which includes the statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors of Hotel Property Investments Limited.

Giselle Collins
Chairman - Melbourne
Dated this 16th day of August 2023

Independent Auditor's Report

To the stapled security holders of Hotel Property Investments

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Hotel Property Investments (the Stapled Group Financial Report).

In our opinion, the accompanying Stapled Group Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Stapled Group's*** financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** of the Stapled Group comprises:

- Consolidated Statement of financial position as at 30 June 2023
- Consolidated Statement of profit or loss and other comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Stapled Group*** consists of the Hotel Property Investments Trust and the entities it controlled at the year-end or from time to time during the financial year and Hotel Property Investments Limited and the entities it controlled at the year-end or from time to time during financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Stapled Group, Hotel Property Investments Trust and Hotel Property Investments Limited (the Responsible Entity) in accordance with 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 (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Investment Properties ($1,238.3m) and Assets Held for Sale ($15.2m)

Refer to Notes 4, 13 and 14 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The valuation of investment properties (including assets held for sale) is a key audit matter due to the significance of the balance and judgment required by us in assessing the Stapled Group's key valuation assumptions, methodologies and the final adopted values given the inherent estimation uncertainty. This leads to additional audit effort due to differing assumptions based on asset classes, geographies and characteristics of individual property assets. The Stapled Group's policy is investment properties are subject to external valuation at least once every three years. We focused on the key assumptions and methodology used by the Stapled Group in determining fair value of investment properties. The Stapled Group applies the income capitalisation approach, which key assumptions include the estimated net market income and capitalisation rate. Capitalised income projections are primarily based upon a property's estimated net market income, and application of a capitalisation rate which is influenced by external sources such as comparable market transactions. Unique attributes of each property such as location, building conditions and planned future capital allowance have implications on property values. In assessing this Key Audit Matter, we involved our real estate valuation specialists, who understand the Stapled Group's investment profile and business and the economic environment it operates in.	Our procedures included: • Understanding the Stapled Group's process regarding the valuation of investment properties; • Assessing the methodologies used in the valuations of investment properties for consistency with accounting standards, industry practice and the Stapled Group's policies; • Assessing the scope, competence and objectivity of external and internal valuers; • Working with our real estate valuation specialists to gain an understanding of prevailing property market conditions; • Evaluating and understanding the changes in fair value, net market rents and capitalisation rates for each property using our understating and by inquiries with the Group and their experts, focusing on properties which valuations have shifted against recent market trends; • Comparing net market rent applied in a sample of property valuations to the rent roll; • Checking the reliability and accuracy of the Stapled Group's rent roll by comparing to tenancy agreements and comparing the expected changes to the contractual lease payments to publicly available Consumer Price Index (CPI) on a sample basis; • Checking the arithmetic accuracy of the income capitalisation calculations for a sample of property valuations; and • Comparing the future capital allowance

Valuation of Investment Properties ($1,238.3m) and Assets Held for Sale ($15.2m)	
Refer to Notes 4, 13 and 14 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
	included within a sample of valuations to Board approved budgets, third-party quotations where applicable and spent to-date. For externally valued investment properties, our procedures also included: • Comparing the final signed external valuations to amounts recorded in the general ledger; • Challenging key assumptions together with our real estate valuation specialists, specifically capitalisation rates by comparing to market analysis published by industry experts, recent comparable market transactions, inquiries with the Stapled Group, historical performance of the assets, property specific attributes (e.g.: location, asset condition, land area and actual passing income), and using our industry experience in the current economic environment; For internally valued investment properties, we assessed the appropriateness of capitalisation rates applied for individual properties by: • Comparing to publicly available data such as industry reports or external valuations of other properties with similar attributes; and • Comparing against similar properties subjected to external valuations and comparable market transactions, including those transactions made by the Stapled Group, throughout the financial year ended 30 June 2023; For financial statement disclosure: • Considering the Stapled Group's disclosures in the financial report in relation to the use of estimates and judgements regarding the fair value of investment properties, valuation policies adopted and fair value disclosures for compliance with Australian Accounting Standards.

Other Information

Other Information is financial and non-financial information in Hotel Property Investment's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Hotel Property Investments Limited are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of the Responsible Entity are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Stapled Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Stapled Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

The information below is a reproduction of our opinion on the Remuneration Report of Hotel Property Investments Limited (the Company), as the Responsible Entity of Hotel Property Investments Trust.

Opinion

In our opinion, the Remuneration Report of Hotel Property Investments Limited for the year ended 30 June 2023, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of Hotel Property Investments Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 15 to 23 of the Directors' report for the year ended 30 June 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Rachel Gatt

Partner

Sydney

16 August 2023

Substantial Securityholders

The number of stapled securities held by the HPI Group's substantial Securityholders as at 13 July 2023:

	Name	Securities Held
1	360 Capital	28,931,863
2	Vanguard Investments Australia	10,991,534

20 Largest Securityholders

The twenty largest HPI Group Securityholders as at 13 July 2023:

	Name	Number of Stapled Securities Held	Percentage of Securities Held
1	360 Capital	28,931,863	14.9%
2	Vanguard Investments Australia	10,991,534	5.7%
3	Vanguard Group	7,767,876	4.0%
4	Yarra Capital Mgt	7,256,395	3.7%
5	Charter Hall	5,944,267	3.1%
6	Resolution Capital	5,811,162	3.0%
7	BlackRock Investment Mgt (Australia) - Index	4,112,101	2.1%
8	Dimensional Fund Advisors	3,844,528	2.0%
9	Phoenix Portfolios	3,653,736	1.9%
10	Vinva Investment Mgt	3,185,101	1.6%
11	State Street Global Advisors	3,163,214	1.6%
12	BlackRock Investment Mgt - Index	2,666,465	1.4%
13	First Sentier Investors - Australian Small Companies	2,458,073	1.3%
14	UBS Global Asset Mgt	2,422,655	1.2%
15	BlackRock Investment Mgt - Index	2,228,547	1.1%
16	Macquarie Asset Mgt	2,227,788	1.1%
17	Private Clients of HUB 24 Custodial Services	2,090,326	1.1%
18	Mr Ian D Allen	2,000,000	1.0%
19	Norges Bank Investment Mgt	1,888,046	1.0%
20	Dexus Asset Mgt	1,853,423	1.0%
	Total	**104,497,100**	**53.8%**

Distribution of Securityholders

Range	Securities	%	No. of Holders	%
1 to 1,000	1,152,495	0.59%	2,629	29.12%
1,001 to 5,000	9,002,248	4.63%	3,289	36.44%
5,001 to 10,000	11,237,947	5.78%	1,507	16.69%
10,001 to 100,000	35,224,225	18.13%	1,545	17.12%
100,001 & Over	137,680,273	70.86%	57	0.63%
Total	**194,297,188**	**100.00%**	**9,027**	**100.00%**

As at 13 July 2023, there were 194,297,188 fully paid stapled securities held by 9,027 individual Securityholders. The number of security investors holding less than a marketable parcel of 163 securities is 570 and they hold 33,896 securities.

HOTEL PROPERTY INVESTMENTS

Corporate Directory

Hotel Property Investments (HPI)
Suite 2, Level 17 – IBM Centre
60 City Road Southbank VIC 3006

T (03) 9038 1774 | **hpitrust.com.au**

Security Registry

Link Market Services
Tower 4, Collins Square
727 Collins Street Docklands VIC 3008

Custodian

The Trust Company Limited
Level 12, Angel Place
123 Pitt Street Sydney NSW 2001

Auditor

KPMG
Tower 2, Collins Square
727 Collins Street Melbourne VIC 3008

Responsible Entity

Hotel Property Investments (HPI)
Suite 2, Level 17 – IBM Centre
60 City Road Southbank VIC 3006

Chief Financial Officer & Company Secretary

Blair Strik

Hotel Property Investments (HPI)
Suite 2, Level 17 – IBM Centre
60 City Road Southbank VIC 3006