

Hotel Property Investments (HPI)
Report for the Year Ended 30 June 2014

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

Hotel Property Investments
Report for the year ended 30 June 2014

Contents	Page
Corporate Governance	3
Directors' Report	10
Auditor's Independence Declaration	20
Consolidated statement of profit or loss and other comprehensive income	21
Consolidated statement of financial position	22
Consolidated statement of changes in equity	23
Consolidated statement of cash flows	24
Notes to the consolidated financial statements	25
Directors' declaration	50
Independent auditor's report to the stapled security holders	51
Securityholder Information	53
Corporate Directory	54

Hotel Property Investments

Report for the year ended 30 June 2014

Corporate Governance

Overview

The HPI Group consists of the Hotel Property Investments Trust ("the Trust", formerly known as Redcape Property Trust) and its subsidiary and Hotel Property Investments Limited ("the Company", formerly known as Redcape Property Services Proprietary Limited) and its subsidiary.

The Trust Company (RE Services) Limited is the "Responsible Entity" for the Trust. On 28th November 2013 shareholders of The Trust Company Limited (the then ultimate parent of the Responsible Entity of the Trust) voted to accept a proposal from Perpetual Limited for it to acquire 100% of The Trust Company Limited by way of a Scheme of Arrangement. On 18th December 2013, the Scheme of Arrangement was formally implemented and The Trust Company Limited became wholly owned by Perpetual Limited.

The Company and the Responsible Entity have entered into a Stapling Deed pursuant to which they have agreed to the shares in the Company being stapled to the units in the Trust, and being quoted together as a single stapled security on the ASX (Australian Securities Exchange). The stapled securities were first quoted on the ASX on 10 December 2013, trading under the code HPI.

The Stapling Deed governs the co-operation between the entities in relation to the stapled securities. The Stapling Deed also sets out common parameters in relation to the HPI Group, including the HPI Group's investment strategy, borrowings, distribution policy, financial reporting and compliance with relevant laws. Under the terms of the Stapling Deed, the Company and the Responsible Entity are obliged to notify and co-operate with each other in relation to the exchange of relevant information and coordination of the release of announcements to ASX.

While the stapling arrangements are in force, and subject to the Corporations Act the Directors of the Company must have regard to the interest of the HPI Group and holders of the stapled securities as a whole and not only the interests of the Company and the shareholders.

The Responsible Entity and the Company have entered into a Management Agreement pursuant to which the Company has agreed to be responsible for the oversight and day-to-day management of the HPI Group. The initial term of the Management Agreement is 3 years.

Separately, while the Company and the Responsible Entity each remain responsible for the financial and operating policies, and management of the HPI Group, the Company has delegated and subcontracted substantially all of its administrative, operational and management obligations under the Management Agreement to the Services Manager (Redcape Services Pty Ltd) pursuant to the Administrative Services Agreement (ASA).

The "HPI Boards" comprise the Company Board and the Responsible Entity Board ("RE Board"). Responsibility for the HPI Group's proper corporate governance rests with the HPI Boards. The HPI Boards' guiding principle in meeting this responsibility is to act honestly, in good faith and in the best interests of the HPI Group as a whole, in accordance with the law, its fiduciary obligations and the HPI Group's code of conduct. The HPI Boards, with reliance upon the Services Manager, will monitor the operational and financial position and performance of the HPI Group and oversee its business strategy, including considering and approving the operating budget and strategic plan of the HPI Group. The HPI Boards are committed to maximising performance, generating appropriate levels of securityholder value and financial return, and sustaining the growth and success of the HPI Group. In conducting the HPI Group's business with these objectives, the HPI Boards seek to ensure that the HPI Group is properly managed to protect and enhance securityholder interests, and that the HPI Directors operate in an appropriate environment of corporate governance.

Accordingly, the HPI Boards have created a framework for managing the HPI Group, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which they believe are appropriate for the HPI Group's business and which are designed to promote the responsible management and conduct of the HPI Group. In addition, the Corporations Act, Listing Rules, Constitutions, Stapling Deed and general law regulate the operations and responsibilities of the HPI Group and its officers. Under the ASA the Services Manager agrees to assist the HPI Group to comply with all relevant laws, including the Listing Rules and the Corporations Act.

Details of the HPI Group's key policies, practices and the charter for the HPI Company Board are available at www.hpitrust.com.au.

This Governance Statement relates to the stapled, listed securities in the HPI Group. As previously mentioned The Trust Company (RE Services) Limited is the Responsible Entity for the Trust. The structure of the HPI Group requires that both the Company and the Responsible Entity disclose their corporate governance framework and practices against the ASX Corporate Governance Principles and Recommendations.

This Governance Statement outlines the main corporate governance practices which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated and is current as at the date of the HPI Group's financial report.

Hotel Property Investments
Report for the year ended 30 June 2014
Corporate Governance (continued)

Principle 1: Lay solid foundations for management and oversight

Board Charter

The Company Board has adopted a board charter (which will be kept under review and amended from time to time as the Company Board considers appropriate) to give formal recognition to the role of the Company Board, its committees, board composition requirements and the Company's policy for the selection, nomination, appointment, retirement and rotation of its Company Directors.

The Company's Board Charter requires that the Company Board comprise a minimum of three Directors and comprise a majority of independent Directors. The Chairman of the Company Board must be an independent, non-executive Director.

The composition of, and terms of reference for, the Company Board will be reviewed annually by the Company Board.

Responsibilities of the Company Board

The Company Directors are responsible for protecting the rights and interest of the Company, its shareholders and other stakeholders, including creditors and employees, and are accountable for the overall management of the Company.

The Company Board's responsibilities include:

- (a) protecting and enhancing the value of the assets of the Company;
- (b) setting the strategies and directions and monitoring and reviewing against these strategic objectives;
- (c) reviewing and ratifying risk management systems, internal controls, codes of conduct and legal compliance;
- (d) reviewing the Company's accounts;
- (e) reporting to shareholders;
- (f) approval of the charters of the Committees;
- (g) approval and review of the operating budget for the Company;
- (h) development and review of the strategic plan for the Company;
- (i) evaluating performance and determining the remuneration of senior management (if any);
- (j) exercising all rights conferred on it and performing all obligations imposed on it under the ASA;
- (k) reviewing the ASA, and the performance of the Services Manager, at regular intervals;
- (l) ensuring the significant risks facing the Company have been identified and adequate control, monitoring and reporting mechanisms are in place;
- (m) approval of transactions relating to acquisitions, divestments and capital expenditure;
- (n) setting and approving financial and dividend policy;
- (o) considering and (if thought appropriate) authorising dividends; and
- (p) cooperating with the directors of the Responsible Entity in relation to the consideration and authorisation of distributions of the Trust to the extent permitted by the Stapling Deed.

To assist in the execution of these responsibilities, the Company Board has in place a Board Audit and Risk Management Committee (BARC) and the Company Board may establish other committees from time to time.

The Responsible Entity has not adopted a formal board charter in relation to the Trust. The Responsible Entity's constitution sets out procedures for the appointment, removal and remuneration of Directors as well as the powers of the RE Board, which include to borrow money, charge any of the property or business of the Responsible Entity and appoint attorneys on terms the RE Board sees fit.

The role of the RE Board is generally to set objectives and goals for the operation of the Responsible Entity and the Trust/Schemes, to oversee the Responsible Entity's management, to regularly review performance and to monitor the Responsible Entity's affairs acting in the best interests of the unitholders of each of the Trust/Schemes. The RE Board is accountable to the unitholders of each of the Trust/Schemes, and is responsible for approving the Responsible Entity's overall objectives and overseeing their implementation in discharging their duties and obligations and operating the Trust/Schemes.

The role of the Responsible Entity's management is to manage the business of the Responsible Entity in operating the Trust/Schemes. The RE Board delegates to management all matters not reserved to the RE Board, including the day-to-day management of the Responsible Entity and the operation of the Trust/Schemes. To assist the RE Board in carrying out its functions it has regard to the Code of Conduct developed by Perpetual to guide the Directors, management and staff in the performance of their roles.

Hotel Property Investments

Report for the year ended 30 June 2014

Corporate Governance (continued)

Principle 1: Lay solid foundations for management and oversight (continued)

The RE Board ensures that the performance of the Responsible Entity's management is evaluated against agreed plans and the key performance indicators that are set annually as part of Perpetual's performance management process. The performance of all management and staff of Perpetual (which includes those staff involved in managing the Trust/Schemes) is evaluated on a six monthly basis against their key performance indicators that have been set annually and cover both financial and non-financial aspects of each person's role. For the Responsible Entity, as part of Perpetual, the performance management process plays a key role in developing high performance teams and aligning employee and organisational behaviour with Perpetual's cultural values as set out in the Code of Conduct. The performance evaluation of the Responsible Entity's Directors, management and staff has taken place in accordance with the above process.

The Responsible Entity has also delegated responsibility to the Company to provide certain management services under the Management Agreement.

As previously mentioned, while the Company and the Responsible Entity each remain responsible for the financial and operating policies, and management of the HPI Group, the Company has delegated and subcontracted substantially all of its administrative, operational and management obligations under the Management Agreement to the Services Manager (Redcape Services Pty Ltd) pursuant to the ASA.

Principle 2: Structure the Board to add value

The HPI Boards

The HPI Group is committed to upholding the highest standards in corporate governance. The HPI Group's corporate governance framework is underpinned by the appointment of high quality board members with the pre-requisite experience in overseeing listed entities. Specifically, the HPI Boards, in consultation with the Services Manager, will be actively involved in developing appropriate governance arrangements and implementing a regime to monitor these arrangements continually.

The Company has appointed five Directors; an independent non executive chairman, two other independent non-executive Directors, and two non-executive Directors. The Company Directors bring to the the Company Board a broad range of skills and experience across the finance, pub and gaming industries. In considering further appointments to the Board the Company Directors will consider the skill matrix required for the Board in assessing the appropriate skills, knowledge and experience of any potential candidates.

The ASX Guidelines define the concept of 'independence' and the Company Board has adopted this concept in its board charter. John Russell and Trevor O'Hoy are currently considered by the Company Board not to be independent. John Russell is the chief executive officer of the Services Manager. Trevor O'Hoy is the non-executive chairman of the Services Manager.

The Company Board should at all times comprise a majority of independent Directors, to ensure that the Company is run in its best interests and, accordingly, in the best interests of shareholders.

The Responsible Entity has appointed three Directors; Andrew Cannane, Christopher Green and Gillian Larkins, and three alternate directors; Anna O'Sullivan, Glenn Foster and Joanne Hawkins. As the Responsible Entity is a member of the Perpetual Limited Group ("Perpetual"), the Responsible Entity Directors are appointed by Perpetual.

The RE Board meets regularly and considers that the composition and mix of skills of directors is appropriate for the directors to understand the Responsible Entity's business and to discharge their duties. The RE Board also ensures that it maintains independent judgement in board decisions. A chairman is selected by the Directors at the start of each board meeting. The RE Board may meet monthly and more frequently as required to consider matters in relation to any of the Trust/Schemes.

The Responsible Entity adds value in terms of the best interests of the Trust's unitholders through being completely independent of the Manager it has engaged in relation to the Trust. There are no common directors and no related party interests between the Responsible Entity and the Manager. This independent structure avoids any conflicts of interest between the Responsible Entity and the Manager whenever discretionary decisions are required of either entity in their respective capacities.

HPI Board Committees

The HPI Boards may from time to time establish appropriate committees to assist in the discharge of their responsibilities. The Company Board has established the BARC and the Responsible Entity has a Compliance Committee. Other committees may be established by the HPI Boards as and when required to consider other matters of special importance.

The BARC appointed by the Company Board will have its composition reviewed annually by the Company Board. The BARC shall consist of at least three members with all being non-executive Company Directors and a majority being independent Company Directors. The chairperson must be an independent Company Director other than the chairperson of the Company Board. The BARC currently comprises the following members:

- i. Raymond Gunston (Chairman);
- ii. John Russell; and
- iii. Lachlan Edwards.

Each member will be financially literate, have familiarity with financial management and an understanding of the industries in which the HPI Group operates. At least one member will have relevant qualifications and experience (that is, a qualified accountant or other finance professional with experience of financial and accounting matters) and some members should have an understanding of the property industry. The current BARC members clearly satisfy this criteria as evidenced in the directors' biography's listed on pages 9 and 10 of the Directors' Report.

Hotel Property Investments

Report for the year ended 30 June 2014

Corporate Governance (continued)

Principle 2: Structure the Board to add value (continued)

The BARC meets at least four times per annum, preferably once in each calendar quarter.

The BARC has unrestricted access to management and the external auditor and may conduct or direct investigations into any matters within its charter.

As the RE Board consists of only executive directors and are not independent directors, a Compliance Committee is appointed in relation to the Trust as required under s601JA of the Corporations Act. The Compliance Committee consists of only non-executive members, has a majority of independent members and is chaired by an independent member who is not the chair of the RE Board.

The ASX Guidelines recommend the establishment of remuneration and nomination committees. The Company Board has chosen not to establish a remuneration or nomination committee at this time as there are no employees of the Company. The Company Board will consider remuneration and nomination matters, including the following, from time to time at its regularly scheduled meetings:

- i. criteria for Company Board membership and the identification of specific individuals for nomination;
- ii. processes for the review of the performance of individual Company Directors, Company Board committees and the Company Board as a whole;
- iii. succession plans; and
- iv. remuneration packages and policies applicable to Company Directors.

The nomination committee functions of the Responsible Entity have traditionally been carried out by the RE Board. The RE Board makes an assessment in relation to the appointment of new directors and in relation to itself, and ensures that it complies with the Responsible Entity's constitution.

The RE Board is provided with regular detailed reports on the financial position, financial performance and business of the Responsible Entity and the Trust/Schemes to allow the Board to effectively fulfil its responsibilities. The Directors have access to the management, staff and advisers of the Responsible Entity and Perpetual as necessary if they require additional information. The Directors also have access, as and when required, to the service providers engaged by the Responsible Entity, such as the Manager. Further, Perpetual has entered into arrangements with the Responsible Entity's Directors in relation to access to information and advice as well as indemnity and insurance; these arrangements contemplate that the Directors are entitled to seek independent professional advice if required from time to time.

Principle 3: Promote ethical and responsible decision making

Code of conduct

The Company Board has adopted a code of conduct to provide a set of guiding principles which are to be observed by all Company personnel (including Company Directors, any other officers and employees of the Company (if any)) and officers and employees of the Services Manager acting under the ASA.

The code of conduct was developed to reflect the fundamental principles of the HPI Group, including ethical behaviour, honesty, integrity and respect. The code includes obligations relating to matters including (without limitation):

- a. responsibilities to securityholders and financial markets;
- b. compliance with laws, policies and procedures;
- c. relationships with politicians and government officers;
- d. confidential information, privacy and maintenance of business records;
- e. conflicts of interest; and
- f. sustainability.

The code also sets out the consequences for a breach of the code of conduct, including the possibility of legal or disciplinary action.

The Responsible Entity has a Code of Conduct and espoused Core Values within which it carries on its business and deals with its stakeholders. These apply to all directors and employees of Perpetual, and the Responsible Entity. The Code of Conduct and Core Values supports all aspects of the way the Responsible Entity conducts its business and is embedded into Perpetual's performance management process.

Securities trading policy

The HPI Boards have adopted securities trading policies on substantially the same terms to ensure that key management personnel of the HPI Group and their associates and employees of the Services Manager involved in the management of the HPI Group in accordance with the ASA, are aware of the legal restrictions on dealing in the stapled securities while in possession of unpublished price sensitive information concerning the HPI Group.

The purpose of these policies is to promote market confidence by ensuring trading in the HPI Groups' stapled securities by key management personnel and employees of the Services Manager occurs on a transparent basis and in accordance with the law.

The securities trading policies set out the restrictions that apply to dealing with the stapled securities including "trading windows", during which certain persons are generally permitted to deal with the stapled securities, a procedure under which certain persons are required to submit prior notification and obtain written confirmation prior to dealing in stapled securities in such "trading windows" and exceptional circumstances in which certain persons will be permitted to deal with the stapled securities outside the "trading windows".

Directors of the HPI Group and key management personnel of and employees of the Services Manager who carry out the Services Manager's responsibilities under the ASA may not enter into margin loans or other security arrangements, or any hedging arrangements in respect of stapled securities, at any time.

Hotel Property Investments

Report for the year ended 30 June 2014

Corporate Governance (continued)

Principle 3: Promote ethical and responsible decision making (continued)

Perpetual has a Share Trading Policy that applies to the Responsible Entity in relation to trading in units in any of the Schemes. Directors, management and staff of Perpetual, and the Responsible Entity, are required to seek prior approval of any trading in units in any of the Trust/Schemes. The RE Board and management ensure that any actual or potential conflicts are appropriately identified, managed and disclosed. The Responsible Entity maintains a declaration of interests register which is confirmed by the RE Board at the start of each board meeting.

Diversity

The ASX Guidelines recommend the establishment of a diversity policy. However, the Company and the Trust will not have any employees and the HPI Group will be managed externally by the Services Manager. Accordingly, the HPI Boards consider that the ASX Guidelines relating to establishing a diversity policy containing measurable objectives for achieving gender diversity is not relevant to the HPI Group's business and at this time, as such, have chosen not to adopt a diversity policy in relation to the HPI Group.

The Responsible Entity's Diversity Policy is that of Perpetual Limited (the ultimate parent entity) and covers the following areas: women in the workforce, age, cultural background and flexible working arrangements. Perpetual embraces workforce diversity as a source of strength. It is approved by the Perpetual Limited Board. The workforce of the Perpetual Group currently comprises a wide range of ages, cultural backgrounds and gender across all roles. Perpetual's Board has established a measurable objective related to gender diversity to achieve 38% representation of woman in senior management roles by 2015.

Principle 4: Safeguarding integrity in financial reporting

As previously mentioned the BARC of the Company consists of three non-executive directors, the majority being independent.

Members of the BARC are financially literate, have familiarity with financial management and an understanding of the industries in which the HPI Group operates.

The purpose of the BARC, is to assist the HPI Boards in fulfilling their corporate governance and oversight responsibilities relating to:

- i. the integrity of the HPI Group's financial reporting;
- ii. the effectiveness of the HPI Group's systems of financial risk management and internal control;
- iii. the external audit functions;
- iv. the HPI Group's risk profile and risk policy; and
- v. the effectiveness of the HPI Group's risk management framework and supporting risk management systems.

While the Stapling Deed is in force, the Company and the Responsible Entity will cooperate with regard to their financial reporting obligations such that the primary form of financial reporting for the Company and the Trust is in the form of consolidated financial statements for the HPI Group.

In fulfilling its responsibilities, the BARC:

- i. receives regular reports from management and the external auditors;
- ii. regularly meets with the external auditor
- iii. reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- iv. meets separately with the external auditors at least once a year without the presence of management; and
- v. provides the external auditors with a clear line of direct communication at any time to either the Chair of the BARC or the Chair of the Board.

Perpetual Limited (ultimate parent of the Responsible Entity) has a Compliance Committee. The Compliance Committee is comprised of three members. The members of the Compliance Committee are John Richardson, Michelene Collopy and Virginia Malley. The Compliance Committee meets at least quarterly. The Compliance Committee may have such additional meetings as the Chairman may decide in order to fulfil its role. The Compliance Committee Charter sets out its role and responsibilities. The Compliance Committee reports both to Perpetual's Audit Risk and Compliance Committee (ARCC) and the board of the Responsible Entity after each meeting under its charter.

The declarations under section 295A of the Act ('CEO and CFO declarations') provide formal statements to the RE Board in relation to each of the Schemes that are listed on the ASX (refer to Principle 7). The declarations confirm the matters required by the Act in connection with financial reporting. The Responsible Entity receives confirmations from the service providers involved in financial reporting and management of the Trust, including the Manager, which assist its staff in making the declarations provided under section 295A.

The Responsible Entity manages the engagement and monitoring of independent 'external' auditors in conjunction with the Company representatives. The RE Board receives periodic reports from the external auditors in relation to financial reporting and the compliance plans for each of the Schemes.

External Auditors

The HPI Group's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually.

Hotel Property Investments

Report for the year ended 30 June 2014

Corporate Governance (continued)

Principle 4: Safeguarding integrity in financial reporting (continued)

An analysis of fees paid to the external auditors, including a break down of fees for non audit services, is provided in the Directors' Report and in Note 8 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board and the BARC.

A representative of the external auditor will attend the annual general meetings and is available to answer securityholder questions about the conduct of the auditor and preparation and content of the audit report.

Principle 5: Make timely and balanced disclosure

The HPI Group is committed to ensuring that securityholders and the market are provided with price sensitive information relating to the HPI Group in a meaningful and timely manner in accordance with its obligations under the Corporations Act and the Listing Rules.

The Company Board has adopted a continuous disclosure policy to promote compliance with these obligations, pursuant to which it has delegated responsibility to the Services Manager which has appointed a compliance officer and a deputy compliance officer to administer and review the policy.

In relation to the Trust, the Responsible Entity, as part of Perpetual, has a continuous disclosure policy to ensure compliance with the continuous disclosure requirements of the Act and the ASX Listing Rules. The policy requires timely disclosure of information to be reported to the Responsible Entity's management and/or Directors to ensure that, information that a reasonable person would expect to have a material effect on the unit price or would influence an investment decision in relation to any of the Trust/Schemes, is disclosed to the market. The Responsible Entity's Company Secretary is responsible for assisting management and/or the Directors in making disclosures to the ASX after appropriate RE Board consultation. The Responsible Entity requires service providers, including the Manager, to comply with its policy in relation to continuous disclosure for the Trust/Schemes.

Under the disclosure policies, the HPI Boards will be responsible for managing the HPI Group's compliance with its continuous disclosure obligations.

Principle 6: Respect the rights of investors

The HPI Boards have adopted communications policies setting out the means by which the HPI Group will communicate information to securityholders. The HPI Boards' aim is to ensure that securityholders are informed of all major developments relating to the HPI Group in a timely and effective manner. Information is communicated to securityholders through the lodgement of all relevant financial and other information with ASX and publishing information on the HPI Group's website, www.hpitrust.com.au.

In particular, the HPI Group's website contains information about it, including media releases, key policies and the terms of reference of the Company Board committees. All relevant announcements made to the market and any other relevant information are posted on the HPI Group's website as soon as they have been released to ASX.

The Responsible Entity handles any complaints received from unitholders in accordance with Perpetual's Complaints Handling Policy. The Responsible Entity is a member of the Financial Ombudsman Service, an independent dispute resolution body, which is available to unitholders in the event that any complaints cannot be satisfactorily resolved by the Responsible Entity.

Principle 7: Recognise and manage risk

The HPI Group considers risk management fundamental to maintaining efficient and effective operations and generating and protecting securityholder value. For the HPI Group, the management and oversight of risk is an ongoing process integral to the management and corporate governance of its business.

The HPI Group has adopted risk management policies which aim to establish a consistent approach to identifying, reporting and addressing material business risks throughout the organisation. As the HPI Group does not have any employees, the risk management policies and any risk management systems established under the policies will be administered by the Company Board in consultation with the Services Manager.

The Company Board will have primary responsibility for ensuring that the significant risks facing the HPI Group have been identified and adequate control, monitoring and reporting mechanisms are in place.

The Company Board has ensured the adoption of the Service Manager's controls, monitoring and reporting mechanisms into the provision of services under the ASA.

The Responsible Entity of the Trust values the importance of robust risk management systems and has established a Compliance Committee pursuant to part 5C of the Act, to assist the RE Board to discharge its risk management and compliance responsibilities.

As noted above, the Compliance Committee is responsible for the oversight of risk management, internal control systems and compliance matters for the Responsible Entity. It also reviews internal and external audit processes and reports. The Compliance Committee meets regularly with the Responsible Entity's Executive Team, senior management and external advisers. The Responsible Entity's management (as well as the risk and compliance function) regularly report any material business risks to the RE Board and to the Compliance Committee through its quarterly risk and compliance reporting process. Significant matters arising during a quarter are addressed by management and escalated as appropriate.

Perpetual has a Risk Management Framework in place, which is supported by a Risk Appetite Statement. The framework includes policies and procedures to identify and address material financial and non-financial risks. The Perpetual Board and ARCC are responsible for overseeing compliance with the risk management program and its continuous evolution. Perpetual also historically maintained an independent 'internal' audit function which reported directly to Perpetual's ARCC and Perpetual's Board if necessary.

Hotel Property Investments
Report for the year ended 30 June 2014
Corporate Governance (continued)

Principle 7: Recognise and manage risk (continued)

The declarations under section 295A of the Act ('CEO and CFO declarations') provide formal statements to the RE Board to confirm that the financial statements of each of the Schemes that are listed on the ASX are founded on a sound system of risk management, internal compliance and controls which implement the policies adopted by the RE Board. In addition they confirm the Responsible Entity's risk management and control system is operating efficiently and effectively in all material respects. The Responsible Entity receives appropriate declarations from the service providers involved in financial reporting for the Schemes, including the Manager.

Principle 8: Remunerate fairly and responsibly

The Company Board monitors and evaluates its own performance and the performance of its committees and individual Company Directors in order to fairly review and actively encourage and enhance board, committee and individual director effectiveness.

The Company Board will also monitor and evaluate the performance of the Services Manager (with reference to the ASA) and any members of the executive management of the Company that may be appointed from time to time.

The fees and expenses which the Responsible Entity is permitted to pay out of the assets of the Trust/Schemes are set out in the constitution and offer documents, if applicable, for each of the Trust/Schemes. Fees and expenses for the benefit of the Responsible Entity are required to be considered and disclosed as related party transactions. Fees and expenses paid out of the assets of the Schemes are unrelated to the remuneration of the Responsible Entity's Directors, management and staff which is separately determined by Perpetual. Therefore, the performance of the RE Board and any employees of the Responsible Entity will be evaluated by Perpetual Limited and not by the Responsible Entity.

Perpetual has remuneration policies in place to maintain and attract talented and motivated directors and employees. The policies are designed to improve performance and are supported by a People and Remuneration Committee. The People and Remuneration Committee is comprised of three independent non-executive directors, with a Chairman who is different to the Chairman of the Board.

Hotel Property Investments

Report for the year ended 30 June 2014

Directors' report

The directors of The Trust Company (RE Services) Limited, (the "Responsible Entity") for the Hotel Property Investments Trust ("the Trust", formerly known as Redcape Property Trust), present their consolidated financial report of the Trust and its controlled entity, together with the consolidated financial report of Hotel Property Investments Limited ("the Company", formerly known as Redcape Property Services Proprietary Limited) and its controlled entity, (together "the HPI Group") for the year ended 30 June 2014.

The units in the Trust and the shares in the Company are stapled 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 code HPI.

The Trust Company (RE Services) Limited, the Responsible Entity for the Trust, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 15, 20 Bond Street, Sydney, NSW 2000.

On 28th November 2013 shareholders of The Trust Company Limited (the then ultimate parent of the Responsible Entity of the Trust) voted to accept a proposal from Perpetual Limited for it to acquire 100% of The Trust Company Limited by way of a Scheme of Arrangement. On 18th December 2013, the Scheme of Arrangement was formally implemented and The Trust Company Limited became wholly owned by Perpetual Limited.

1. Directors and officers

The Responsible Entity and the Company have entered into a Management Agreement pursuant to which the Company has agreed to be responsible for the oversight and day-to-day management of the HPI Group. The initial term of the Management Agreement is 3 years.

Separately, while the Company and the Responsible Entity each remain responsible for the financial and operating policies and management of the HPI Group, the Company has delegated and subcontracted substantially all of its administrative, operational and management obligations under the Management Agreement to the Services Manager (Redcape Services Pty Ltd) pursuant to the Administrative Services Agreement.

The Services Manager has agreed to provide administrative, operational and management services to the Company in exchange for a fixed monthly fee.

The Services Manager has retained the employment of a dedicated Fund Manager who is responsible for ensuring the Services Manager provides these services to the HPI Group. If requested by the Company, the Services Manager may also provide transaction and other designated services for the HPI Group. Any further fees for the provision of additional services by the Services Manager must be agreed with the HPI Group.

The following persons were directors of the Responsible Entity during the year ended 30 June 2014:

Andrew Cannane	Appointed 31 March 2011
Christopher Green	Appointed 7 March 2014
Gillian Larkins	Appointed 7 March 2014
Anna O'Sullivan	Appointed 7 March 2014 as an alternate director for each of Andrew Cannane and Christopher Green
Glenn Foster	Appointed 7 March 2014 as an alternate director for Gillian Larkins
Joanne Hawkins	Appointed 7 March 2014 as an alternate director for Gillian Larkins
David Grbin	Appointed 22 July 2008, resigned 7 March 2014
Rupert Smoker	Appointed as an alternate director 20 February 2012 for each of John Atkin, David Grbin and Andrew Cannane, resigned as alternate director 18 December 2013. Appointed director 18 December 2013, resigned 7 March 2014
John Atkin	Appointed 27 January 2009, resigned 18 December 2013

Hotel Property Investments
Report for the year ended 30 June 2014
Directors' report (continued)

1 Directors and officers (continued)

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

Name and position	Experience
Michael Tilley <i>Independent non-executive Chairman</i>	<p><i>Appointed 19 November 2013.</i></p> <p>Michael Tilley was appointed non-executive Chairman of the Company in November 2013. He is a highly experienced executive having spent over 30 years advising and managing leading companies in financial services, life insurance and funds management in Australasia. He has served as Managing Director and Chief Executive Officer of Challenger Financial Services, Chairman and Chief Executive Officer of Merrill Lynch Australasia, and as a partner at Deloitte Touche Tohmatsu.</p> <p>Michael was a non-executive Director at Orica Ltd from November 2003 until January 2014 where he was the Chairman of Orica's Safety, Health & Environment Committee and a member of the Audit and Risk and Corporate Governance and Nominations Committees. Michael is a former member of the Takeovers Panel and has previously served as a non-executive director of Incitec Ltd.</p> <p>He holds a Post Graduate Diploma in Business Administration from Swinburne University and is a Fellow of The Australian Institute of Company Directors.</p>
Raymond Gunston <i>Independent non-executive Director</i>	<p><i>Appointed 19 November 2013.</i></p> <p>Raymond Gunston was appointed an Independent non-executive Director of the Company in November 2013. Ray has over 30 years of corporate and financial services experience in the public and private sectors, specialising in finance, treasury, mergers and acquisitions, and accounting.</p> <p>Raymond is currently a Non-Executive Director of Sigma Pharmaceuticals Limited, where he is also a member of the Remuneration and Nomination and Risk Management and Audit Committees.</p> <p>He was formerly Chief Financial Officer of Tatts Group Limited and director of many of the Tatts Group's subsidiary and associate companies, and has recently completed roles as interim Chief Executive Officer at Essendon Football Club in 2013 and interim Chief Financial Officer at Southern Cross Austereo in 2014.</p> <p>Raymond has a Bachelor of Commerce (with Honours) from the University of Melbourne and a Diploma of Education. Raymond is a Fellow Certified Practising Accountant, and a Member of the Australian Institute of Company Directors, and is Chairman of the HPI Group's Audit and Risk Management Committee.</p>
Lachlan Edwards <i>Independent non-executive Director</i>	<p><i>Appointed 19 November 2013.</i></p> <p>Lachlan is a Managing Director and Head of the Capital Structure Advisory practice at Lazard in 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. He has previously held board positions as a Director of NM Rothschild & Sons, a Governor of the English National Ballet in London, and at the University & Schools Club in Sydney.</p> <p>Lachlan was a Managing Director at Goldman Sachs between 2006 - 2013 where he was Head of Restructuring Europe and more recently Head of Restructuring Asia-Pacific. In that capacity he advised on the restructure of Redcape Property Group and its combination with National Leisure & Gaming.</p> <p>Prior to joining Goldman Sachs Lachlan spent 15 years at Rothschild Australia and NM Rothschild in London in various project finance and restructuring roles latterly as Co-Head of Restructuring Europe and Co-Head of Corporate Debt Advisory, UK.</p> <p>Lachlan has a Bachelor of Economics degree from the University of Sydney and a Graduate Diploma in Applied Finance & Investments from the Securities Institute of Australia. He is a Graduate Member of the Australian Institute of Company Directors.</p>

Hotel Property Investments
Report for the year ended 30 June 2014
Directors' report (continued)

1 Directors and officers (continued)

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

Name and position	Experience
John Russell <i>Non-executive Director</i>	<p><i>Appointed 23 May 2013.</i></p> <p>John Russell joined Redcape Property Group as Chief Executive Officer in April 2013. He has an extensive background in the hospitality and gaming industries having enjoyed senior executive roles at Australian Leisure and Hospitality Group Limited (ALH) and Tabcorp Holdings Limited.</p> <p>John joined Redcape Property Group from Customers Limited where he was Managing Director & Chief Executive Officer. Previously he was Chief Financial Officer of ALH and has served as General Manager Strategy & Operations at AWB Limited and Group General Manager Operations at Tabcorp.</p> <p>John has a broad range of senior management experience in large and small public and private companies.</p> <p>John holds an Honours Degree in Economics and a Master of Business Administration from the University of Adelaide and is a Graduate Member of the Australian Institute of Company Directors.</p>
Trevor O'Hoy <i>Non-executive Director</i>	<p><i>Appointed 1 August 2012</i></p> <p>Trevor O'Hoy was appointed Non-Executive Chairman of Redcape Property Group in May 2012. Trevor brings an unparalleled understanding of the Pub industry having spent 32 years at Foster's Group Limited in various senior executive finance and operational roles culminating in that of Chief Executive Officer.</p> <p>Since retiring from Foster's, Trevor has joined the boards of RACV Limited, ASG Group Limited, APU Group and Stone and Wood Brewing Company, and is Chairman of Tobin Brothers Foundation. Trevor Chairs the Ponting Foundation and sits on the board of Cricket Victoria.</p> <p>Trevor graduated from Monash University, where he was recognised as a Distinguished Alumni in 2006, and also completed the Advanced Management Program at Harvard University.</p>
David Charles <i>Executive Director</i> <i>Company Secretary</i>	<p><i>Resigned 19 November 2013</i></p> <p><i>Appointed 1 July 2011 and remains in this role.</i></p> <p>David is an experienced Chartered Accountant with 20 years experience in the accounting and audit, financial services, aviation and retail sectors. David commenced his career with Touche Ross in 1989 and has held senior positions in a number of large companies including Citibank in London, Ansett Australia, ANZ Bank and the Spotless Group. Immediately prior to joining Redcape Property Group on 1 July 2009 as Chief Financial Officer, David spent 5 years with the Coles Group including 4 years within the Liquor and Hotels division in senior Finance and Business Management roles.</p>

Hotel Property Investments

Report for the year ended 30 June 2014

Directors' report (continued)

2. Principal activities

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

3. Significant changes in state of affairs

During the twelve months ended 30 June 2014 there were significant changes to the HPI Group.

New bank loans were negotiated and agreed, and the stapled securities in the HPI Group were then sold by way of a public float which concluded on 9 December 2013. Prior to the public float, assets and liabilities not intended for the float were assigned or novated to entities under common control of the vendors, leaving just those assets intended for inclusion in the HPI Group, predominantly the pub and bottleshop assets leased to the Coles Group.

On 10 December 2013 the stapled securities in the HPI Group commenced trading on the ASX.

On 28 November 2013 shareholders of The Trust Company Limited (the then ultimate parent of The Trust Company (RE Services) Limited, the Responsible Entity of the Trust) voted to accept a proposal from Perpetual Limited for it to acquire 100% of The Trust Company by way of a Scheme of Arrangement. On 18 December 2013, the Scheme of Arrangement was formally implemented and The Trust Company became wholly owned by Perpetual Limited.

4. Distributions and dividends

For the year ended 30 June 2014 the Trust provided for a distribution of 8.8 cents per stapled security. Prior to restructure/stapling the Trust paid a distribution of \$12.9m (2013: \$13.9m) to the previous unitholders of the Trust.

No provisions for or payments of Company dividends have been made during the year (2013: nil).

5. Matters subsequent to the end of the financial year

On 15 August 2014 the HPI Group successfully exchanged contracts to acquire Hotel HQ for \$18.1m, a freehold hotel property leased to the Coles Group in the Brisbane suburb of Underwood. Hotel HQ is leased on similar terms to the HPI Group's existing Coles Group properties. The purchase will be funded from available capacity in the HPI Group's loan facility. Settlement is expected to take place on 15 September 2014.

No other item, transaction or event has occurred subsequent to 30 June 2014 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 years.

6. Review and results of operations

Background

The HPI Group is an Australian Real Estate Investment Trust ("AREIT"). Its principal activity is real estate investment in freehold pubs in Australia. The HPI Group listed on the Australian Securities Exchange ("ASX") on 10 December 2013 after several years in private ownership. At the year end the HPI Group owns a portfolio of 48 investment properties including 41 freehold pubs (and adjacent specialty tenancies) and 7 detached bottleshops leased to members of the Coles Group.

Key highlights associated with an investment in the HPI Group are:

- A portfolio of medium to large scale pubs predominantly leased to Coles Group companies
- A longstanding relationship with the Coles Group
- Property values underpinned by the value of liquor and gaming licences
- A stable income stream generated by long term lease profile with attractive terms
- Strong organic income growth combined with future growth opportunities
- An attractive distribution yield
- An experienced Service Manager management team in the pub real estate sector

Current year performance

The HPI Group evolved from the restructuring in December 2013 after certain assets and liabilities had been assigned or novated to entities associated with the prior owners of the Company. Accordingly, the financial statements of the HPI Group for the year ended 30 June 2014 include income and expenditure related to investment properties no longer within the HPI Group as at 30 June 2014, and financing costs relating to bank loan agreements that were significantly restructured on 9 December 2013. Profit before tax for the year ended 30 June 2014 was \$59.3 million (2013: \$39.3 million).

Profit relating to the period following allotment of securities to subscribers in the public float ("allotment") to 30 June 2014 was \$21.6 million compared to the HPI Group prospectus forecast of \$10.8 million, with the main differences being the inclusion of a net fair value gain on investment property and hedging instruments of \$10.1 million, the favourable impact of allotment occurring 9 days ahead of the date assumed in the prospectus of \$0.5 million, and interest savings of \$0.4 million.

Total distributions relating to the period following allotment are \$11.7 million, compared to the prospectus forecast of \$10.8 million, the difference principally reflecting the 9 additional trading days and interest savings.

During the period following allotment the HPI Group collected all rent and outgoings due in accordance with its leases, negotiated lease extensions on 4 specialty tenancies and carried out maintenance in accordance with a Deed of Acknowledgement and Undertaking ("Deed") entered into in November 2013 to undertake specified works at Coles Group pubs. The anticipated construction and rental to Coles Group of two large format liquor stores also included in the Deed has, however, been delayed and may not proceed as originally forecast. During this period the HPI Group also implemented hedging for approximately 60% of its loan exposure for the term of its loans to 9 December 2018.

Hotel Property Investments

Report for the year ended 30 June 2014

Directors' report (continued)

6. Review and results of operations (continued)

Financial position

The HPI Group's net assets were \$261 million at 30 June 2014 representing net assets per stapled security of \$1.96. Major assets and liabilities included cash on hand of \$3.3 million, investment property of \$496.7 million and bank loans of \$223.2 million. Additionally, a provision was created for payment of distributions of \$11.7 million. Since allotment the Directors' valuation of investment property has increased by \$15.2 million, whilst loans have reduced by \$8.0 million.

Investment properties were valued by directors on a capitalisation of income basis at 30 June 2014, following consultation with its independent valuers. As a result capitalisation rates were held constant from the December 2013 rates for directors valuation purposes at 30 June 2014. In the six months ending 31 December 2014, the HPI Group will commence a process of independent valuations for at least one third of all properties each financial year.

The HPI Group has put in place 5 year loan facilities, on which interest rates are currently hedged approximately 60% over the term of the loans and these hedge contracts expire in December 2018. The HPI Group will continue to monitor debt capital markets and interest rates with the goal of prudently managing its interest rate and refinancing risk, including identifying and examining all potential financing sources and looking to improve the HPI Group's debt composition and expiry profile.

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 Company and Responsible Entity Boards' in fulfilling their responsibilities relating to the HPI Group's risk profile and risk policy, and the effectiveness of the HPI Group's risk management framework and supporting risk management systems. During the period the BARC established a working group comprising members of management and the BARC to conduct a risk identification, assessment, tolerance and risk management framework which was subsequently adopted by the Company Board.

In the risk identification stages of the HPI Group's risk management process the board has determined that the two key risks identified are interest rates risk and regulatory risk pertaining to liquor laws in Queensland, where the majority of the HPI Group property portfolio is concentrated. The board has carefully considered these risks and where practical has taken action to mitigate the risks including having hedged the interest rate risk on more than 50% of the loan facilities. With regard regulatory risk the board continuously monitors the Queensland legislative environment, and is aware that the Queensland government passed the Queensland Liquor and Gaming (Red Tape Reduction) Bill in November 2013 without comment or change to the packaged liquor sale licensing laws. Further risks including tenant credit risk, valuation risk, property liquidity risk, certain rights of the tenant in lease, reliance on external management, and inflationary impact risk are monitored, managed and mitigated as appropriate through the management operations of the HPI Group.

Business strategies and prospects

The HPI Group's key financial goal is to improve cash distributions to stapled security holders whilst maintaining the nature of the HPI Group business. Distribution growth may be achieved organically (annual rent increases 4% per annum on most properties in the portfolio), and by prudent management of financing, management and costs of the Trust. The HPI Group considers that further distribution growth may arise from development opportunities undertaken with the Coles Group as it pursues its retail liquor strategy.

The HPI Group will pursue property acquisition opportunities which meet its acquisition criteria and in August 2014 successfully exchanged contracts to acquire Hotel HQ, a large, quality freehold hotel property leased to the Coles Group in the Brisbane suburb of Underwood. Hotel HQ is leased on similar terms to the HPI Group's existing Coles Group properties. The HPI Group intends acquiring more properties like Hotel HQ with strong underlying businesses, favourable leases and quality tenants. The HPI Group will look for further funding to achieve appropriate asset growth whilst ensuring it maintains gearing around its target range of 40 to 50 percent.

The HPI Group expects to improve the quality of its existing property portfolio by diligently managing those properties in conjunction with the Coles Group and trading out of lesser quality properties in the portfolio as markets create value opportunities over time.

Hotel Property Investments
Report for the year ended 30 June 2014
Directors' report (continued)

6. Review and results of operations (continued)

Distributions

For the year ended 30 June 2014 the HPI Group will distribute 100% of its distributable earnings. For subsequent financial years the HPI Group intends to distribute 100% of its distributable earnings less maintenance capital expenditure costs. Distributable earnings is calculated as net profit adjusted for non-cash items. HPI's underlying net cash flow from operating activities generally consists of rental income paid less expenses, including management fees and/or costs and interest.

The following statement reconciles the profit after income tax to the total available for distribution.

	2014
	\$'000
Profit after income tax for the year	59,300
Plus/(Less): Adjustments for non-cash items	
Fair value (increments)/decrements to investment properties	(53,075)
Fair value (increments)/decrements to derivatives	2,709
Loss/(gain) on sale of investment properties	544
Finance costs - non-cash	7,587
Income tax expense/(benefit)	(34)
Total adjustments for non-cash items	(42,269)
Profit after income tax for the year after adjustments for non-cash items	17,031
Less: Profit after income tax for the year attributable to the unitholders of the Trust before stapling excluding non-cash adjustments	5,376
Total profit available for distribution	11,655
Distribution paid or provided for ¹	11,693

¹ Difference due to rounding of distribution to 8.8 cents

	2014
	Cents
Earnings and distribution per stapled security:	
Basic and diluted earnings	44.63
Earnings available for distribution per security	8.8
Distribution per security	8.8

Hotel Property Investments
Report for the year ended 30 June 2014
Directors' report (continued)

7. Directors' information

Directorships of listed entities within the last three years

The following Company 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	Resigned
Michael Tilley	Orica Limited	Non-executive	November 2003	January 2014
Raymond Gunston	Sigma Pharmaceuticals Limited	Non-executive	July 2010	
John Russell	Customers Limited	Managing Director	March 2012	July 2012
Trevor O'Hoy	ASG Group Limited	Non-executive	September 2010	April 2014

Special responsibilities of directors

The following are the special responsibilities of each director:

Michael Tilley is Chairman of the Board

Raymond Gunston is Chairman of 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 the start of the year	Net Movement	Number held at 30/06/2014
Michael Tilley	Independent non-executive Chairman	-	1,119,048	1,119,048
Raymond Gunston	Independent non-executive Director	-	119,048	119,048
Lachlan Edwards	Independent non-executive Director	-	154,762	154,762
John Russell	Non-executive Director	-	47,618	47,618
Trevor O'Hoy	Non-executive Director	-	487,142	487,142

The directors of the Responsible Entity have no interests in the stapled securities of the HPI Group.

Meetings of directors

The number of meetings of the Company's Board of Directors held and of each Board committee during the year ended 30 June 2014 and the number of meetings attended by each director at the time the director held office during the year were:

Name	Board			BARC	
	Held	Eligible to attend	Attended	Held	Attended
Michael Tilley	14	7	7	3	3
Raymond Gunston	14	7	7	3	3
Lachlan Edwards	14	7	6	3	3
John Russell	14	14	14	3	3
Trevor O'Hoy	14	14	14	3	3
David Charles	14	7	7	N/A	N/A

Hotel Property Investments

Report for the year ended 30 June 2014

Directors' report (continued)

8. Remuneration Report - Audited

This report provides details on the HPI Group's remuneration structure, decisions and outcomes for the year ended 30 June 2014.

8.1 Principles of remuneration

The key management personnel of the HPI Group are the non-executive directors of the Company and the directors and company secretary of the Responsible Entity.

As previously stated the Company has delegated and subcontracted substantially all of its administrative, operational and management obligations to the Services Manager pursuant to the Administrative Services Agreement. As a result the HPI Group has no other key management personnel.

8.2 Directors' remuneration

The previous Company board obtained external advice on the director's remuneration range for a company such as HPI. The current remuneration level was set prior to the appointment of directors in November 2013 at the lower end of the recommended range, and there is no intention to review remuneration until June 2015. Any future review of directors remuneration will be conducted with reference to market practice for similar companies to HPI.

The Company has no performance, bonus or incentive remuneration components.

The Company has set a non-executive director fee cap of \$600,000 per annum.

The Chairman of the Company is entitled to receive \$125,000 per annum plus statutory superannuation contributions.

Each other independent non-executive director of the Company is entitled to receive \$75,000 per annum plus statutory superannuation contributions for acting as a company director. John Russell and Trevor O' Hoy have elected not to receive any directors fees as long as they are associated with the Services Manager.

In addition to the above director's fees, the Chairman of the Company's Audit and Risk Management Committee will be paid \$20,000 annually and each member will be paid \$10,000 annually for their services provided to the committee.

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

The Responsible Entity's company secretary fees and directors' fees (if any) for acting as directors of the Responsible Entity will be paid by the Responsible Entity and will not be paid out of the assets or income of the Trust.

Fees paid to the Responsible Entity and its associates are disclosed in Note 28 to the financial statements.

8.3 Consequences of performance on shareholder wealth

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

	2014
Distributable profit (\$m)	11.7
Distributions payable (\$m)	11.7
Distributions per stapled security (cents)	8.8
Current property values (\$m)	496.7
Net gearing ¹	44.1%

1. Total borrowings less cash as a percentage of total assets less cash.

Hotel Property Investments
Report for the year ended 30 June 2014
Directors' report (continued)

8. Remuneration Report - Audited (continued)

8.4 Details of remuneration

Remuneration details 19 November 2013 to 30 June 2014

Amount of remuneration

Details of the remuneration of the key management personnel for the period since stapling are set out in the table below.

There are no comparatives because as previously stated, the only key management personnel are the non-executive directors of the Company and the Company was only stapled to the Trust effective 10 December 2013.

	Short term				Post employment	Other long term	Termination benefits	Share-based payments	Total	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
	Directors Fees \$	STI cash bonus \$	Non-monetary benefits \$	Total \$	Superannuation benefits \$	\$	\$	Options and rights \$	\$		
Independent non-executive Director											
Michael Tilley (Chairman)	77,244	-	-	77,244	7,145	-	-	-	84,389	-	-
Raymond Gunston	58,705	-	-	58,705	5,430	-	-	-	64,135	-	-
Lachlan Edwards	52,526	-	-	52,526	4,859	-	-	-	57,385	-	-
Non-executive Director											
John Russell	-	-	-	-	-	-	-	-	-	-	-
Trevor O'Hoy	-	-	-	-	-	-	-	-	-	-	-
	188,475	-	-	188,475	17,434	-	-	-	205,909	-	-

John Russell and Trevor O'Hoy have elected not to receive any Directors fees as long as they are associated with the Services Manager.

Hotel Property Investments
Report for the year ended 30 June 2014
Directors' report (continued)

9. Indemnification and insurance of officers and auditors

The Constitution of the Company provides that, subject to and to the extent permitted by the Corporations Act, the Company must indemnify or enter into and pay premiums on a contract insuring any current or former Officer of the Company and/or its Related Bodies Corporate against any liability incurred by that person in that capacity, including legal costs. The Company has agreed to indemnify the following current directors of the Company, Michael Tilley, Raymond Gunston, Lachlan Edwards, John Russell and Trevor O'Hoy.

During the financial year, the HPI Group paid an insurance premium of \$86,231 in respect of the current directors of the Company.

No insurance premiums are paid out of the HPI Group in regards to insurance cover for either the Responsible Entity or the auditors of the HPI Group. So long as the Directors and officers of the Responsible Entity and its Compliance Committee act in accordance with the Constitution and Corporations Act, the Directors and officers 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.

10. Non-audit services

During the year KPMG, the HPI Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The investigating accountant's report was commissioned by the unitholders of the Trust before stapling.

The Company's Board has considered the remaining non-audit services provided during the year by the auditor and in accordance with advice provided by resolution of the BARC, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* and has made the same recommendation to the RE Board.

Details of the amounts paid to the auditor of the HPI Group, KPMG, and its network firms for audit and non-audit services provided during the year are set out below.

	2014
	\$
Services other than audit and review of financial statements	
Investigating accountant's report	272,500
	<u>272,500</u>
Audit and review of financial statements	150,000
Total payable to KPMG	<u>422,500</u>

11. Likely developments

The HPI Group will continue its business as a freehold pub owner, managing the properties in accordance with the leases, and will receive annual rental increases on the anniversary of the commencement of each lease. The HPI Group will also continue to monitor the market for property acquisition opportunities that meet the HPI Group's investment criteria, namely that target properties be in good condition, in key regional or metropolitan locations with potential for long term growth, and leased to experienced tenants on favourable lease terms.

12. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18 and forms part of the Directors' Report for the year ended 30 June 2014.

13. Environmental regulation

Whilst the HPI Group is not subject to significant environmental regulation in respect of its property activities, the directors are satisfied that adequate systems are in place for the management of its environmental responsibility and compliance with the various licence requirements and regulations. Further, the directors are not aware of any material breaches of these requirements.

14. Rounding of amounts

The HPI Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest one thousand dollars, in accordance with that Class Order, except where otherwise indicated.

15. Units on issue

The movement in units on issue in the Trust during the year is disclosed in Note 19 to the financial statements.

Signed in accordance with a resolution of the directors of the Trust Company (RE Services) Limited.



Andrew Cannane

Director

Sydney

Dated this 27th day of August 2014



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

To: the directors of The Trust Company (RE Services) Limited as responsible entity for Hotel Property Investments Trust

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 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

D M Scammell
Partner

Melbourne

27 August 2014

Hotel Property Investments

Report for the year ended 30 June 2014

Consolidated statement of profit or loss and other comprehensive income

		2014 \$'000	2013 \$'000
REVENUE			
Rent from investment properties		50,338	66,321
Revenue from investment properties - straight-line lease adjustment		610	2,170
Revenue from outgoings recovered		5,455	6,928
Total revenue		56,403	75,419
Other income			
Fair value adjustment to investment properties	13	53,075	13,470
Impact of straight-line lease adjustment on fair value of investment properties		(610)	(2,170)
Interest from cash deposits		168	321
Sundry income		710	28
Total other income		53,343	11,649
Total income from operating activities		109,746	87,068
OPERATING EXPENSES			
Investment property outgoings and expenses		8,737	11,767
Loss/(gain) on sale of investment properties		544	1,080
Other expenses	8	14,941	5,238
Total expenses from operating activities		24,222	18,085
Profit from operating activities		85,524	68,983
Non operating income / (expenses)			
Change in fair value of derivative financial instruments	17	(2,709)	(102)
Finance costs	9	(23,549)	(29,626)
Total non operating income / (expenses)		(26,258)	(29,728)
Profit before tax		59,266	39,255
Tax benefit / (expense)	14	34	-
Profit for the year		59,300	39,255
Other comprehensive income		-	-
Total comprehensive income		59,300	39,255
Profit / total comprehensive income attributable to:			
Unitholders of the Trust		59,379	39,255
Shareholders of the Company		(79)	-
		59,300	39,255
Basic and diluted earnings per security (cents)		44.63	0.43

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

This statement includes revenues and expenses for the 48 investment properties included in the HPI Group float and an additional 28 investment properties only up until their novation to another entity on 9 December 2013 as part of the HPI Group float.

Basic and diluted earnings per security on issue have increased primarily due to the consolidation of units on issue, as disclosed in Note 19.

Hotel Property Investments
Report for the year ended 30 June 2014
Consolidated statement of financial position

		2014	2013
		\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	10	3,335	15,745
Trade and other receivables	11	535	31,592
Other current assets		752	1,910
Assets held for sale	12	-	4,000
Total current assets		4,622	53,247
Non-current assets			
Investment property	13	496,740	752,713
Other non-current assets		195	145
Deferred tax assets		34	-
Total non-current assets		496,969	752,858
TOTAL ASSETS		501,591	806,105
LIABILITIES			
Current liabilities			
Trade and other payables	15	2,410	4,507
Loans and borrowings	16	-	3,427
Provisions	18	11,888	-
Total current liabilities		14,298	7,934
Non-current liabilities			
Loans and borrowings	16	223,175	409,106
Derivative financial instruments	17	3,162	976
Total non-current liabilities		226,337	410,082
TOTAL LIABILITIES		240,635	418,016
NET ASSETS		260,956	388,089
EQUITY			
Contributed equity	19	413,222	691,513
Accumulated losses	20	(152,266)	(303,486)
Reserves	21	-	62
TOTAL EQUITY		260,956	388,089

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Hotel Property Investments
Report for the year ended 30 June 2014
Consolidated statement of changes in equity

	Note	Contributed Equity \$'000	Accumulated Losses \$'000	Reserves \$'000	Total Equity \$'000
Balance at 1 July 2013		691,513	(303,486)	62	388,089
Total comprehensive income for the year					
Profit for the year		-	59,300	-	59,300
Total other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	59,300	-	59,300
Transactions with owners in their capacity as owners recognised directly in equity					
Provision for distribution to stapled security holders		-	(11,693)	-	(11,693)
Distribution to unitholders of the Trust before stapling		-	(12,901)	-	(12,901)
Transfer of capital reserve to accumulated losses		-	62	(62)	-
Novation of assets and liabilities to an entity under common control	6	(278,291)	116,452	-	(161,839)
Balance at 30 June 2014		413,222	(152,266)	-	260,956
Balance at 1 July 2012		691,513	(328,859)	62	362,716
Total comprehensive income for the year					
Profit for the year		-	39,255	-	39,255
Total other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	39,255	-	39,255
Transactions with owners in their capacity as owners recognised directly in equity					
Distribution to unitholders		-	(13,882)	-	(13,882)
Balance at 30 June 2013		691,513	(303,486)	62	388,089
Total recognised income and expense for the year is attributable to:					
- Trust					59,379
- Company					(79)
HPI Group					59,300

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Hotel Property Investments
Report for the year ended 30 June 2014
Consolidated statement of cash flows

		2014	2013
	Note	\$'000	\$'000
Cash flows from operating activities			
Rent and outgoings from investment properties (GST inclusive)		58,961	81,212
Payments to suppliers		(21,135)	(27,067)
Interest receipts - bank deposits		168	321
Interest paid		(15,388)	(30,236)
Net cash from operating activities	30	22,606	24,230
Cash flows from investing activities			
Proceeds from disposal of investment properties		3,590	20,931
Payment for investment properties		(6,660)	-
Payment for additions to investment property		(2,699)	(17,612)
Net cash from investing activities		(5,769)	3,319
Cash flows from financing activities			
Proceeds from borrowings		5,000	20,913
Repayments of borrowings		(16,192)	(5,000)
Proceeds as a result of refinancing		14,686	-
Payment of distribution		(12,901)	(13,882)
Payments on behalf of related parties		(8,943)	(28,530)
Receipts from related parties		3,000	-
Payments as a result of restructuring and public float		(8,923)	-
Payment of cash on novation		(4,974)	-
Net cash from financing activities		(29,247)	(26,499)
Net increase/(decrease) in cash held		(12,410)	1,050
Cash and cash equivalents at the beginning of the period		15,745	14,695
Cash and cash equivalents at the end of the period	10	3,335	15,745

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

This statement includes revenues and expenses for the 48 investment properties included in the HPI Group float and an additional 28 investment properties only up until their novation to another entity on 9 December 2013 as part of the HPI Group float.

Hotel Property Investments
Report for the year ended 30 June 2014

Notes to the consolidated financial statements		Page
Note 1	Reporting entity	26
Note 2	Basis of preparation	26
Note 3	Summary of significant accounting policies	27
Note 4	Determination of fair values	30
Note 5	Financial risk management	30
Note 6	Novation of assets and liabilities to an entity under common control	32
Note 7	Stapling	32
Note 8	Other expenses	33
Note 9	Finance costs	33
Note 10	Cash and cash equivalents	33
Note 11	Trade and other receivables	34
Note 12	Assets held for sale	34
Note 13	Investment property	34
Note 14	Taxes	39
Note 15	Trade and other payables	39
Note 16	Loans and borrowings	40
Note 17	Derivative financial instruments	40
Note 18	Provisions	41
Note 19	Contributed equity	41
Note 20	Accumulated losses	41
Note 21	Reserves	42
Note 22	Net assets per security	42
Note 23	Earnings per security	42
Note 24	Distributions	42
Note 25	Operating leases	43
Note 26	Group entities	43
Note 27	Parent entity	43
Note 28	Related parties	44
Note 29	Financial instruments	45
Note 30	Reconciliation of cash flows from operating activities	49
Note 31	Contingent assets	49
Note 32	Contingent liabilities	49
Note 33	Commitments	49
Note 34	Segment information	49
Note 35	Subsequent events	49

Hotel Property Investments

Report for the year ended 30 June 2014

Notes to the consolidated financial statements

Note 1 Reporting entity

The consolidated financial report of Hotel Property Investments as at and for the twelve months ended 30 June 2014 comprises Hotel Property Investments Trust (the "Trust", formerly known as Redcape Property 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 shares under the *Corporations Act 2001*. The responsible entity of the Trust is The Trust Company (RE Services) Limited (the "Responsible Entity").

On 28th November 2013 shareholders of The Trust Company Limited (the then ultimate parent of the Responsible Entity of the Trust) voted to accept a proposal from Perpetual Limited for it to acquire 100% of The Trust Company Limited by way of a Scheme of Arrangement. On 18th December 2013, the Scheme of Arrangement was formally implemented and The Trust Company Limited became wholly owned by Perpetual Limited.

The units of the Trust and the shares of the Company are stapled such that the units and shares cannot be traded separately.

The Trust is a limited life trust which terminates on 31 December 2061 unless it has been terminated prior to that date by the Responsible Entity under the provisions contained in the constitution.

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 security holders on 10 December 2013, the HPI Group has been determined to be a disclosing and reporting entity. Prior to this occurring the Trust was regarded as a non-reporting entity.

The principal activity of the HPI Group consists of real estate investment in the pub freehold 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 HPI Group 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 financial statements also comply with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following:

- derivative financial instruments are measured at fair value
- investment property, including investment property held for sale at reporting date, is measured at fair value

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 2014 was approved by the directors of the Responsible Entity on 27 August 2014.

(c) Functional and 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 Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, 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 period 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 2014 are described in the following notes:

- Note 4a and Note 13 - investment property
- Note 4c and Note 29 - financial instruments

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

Note 3 Summary of significant accounting policies

(a) Basis of consolidation

(i) 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.

(ii) 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.

(iii) 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 is identified in a business combination. In a stapling transaction judgement is applied to determine the acquirer as outlined in Note 7. 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 recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. 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 period relating to fixed increases in operating lease rentals in future periods. This receivable is considered to be a component part of the relevant property investment carrying value.

Interest revenue

Interest revenue is recognised on an effective interest rate method as it accrues.

Outgoings and other revenue

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

(c) Finance income and finance costs

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

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 the purpose of deriving rental income or units that invest in land primarily for the purpose of deriving rental income.

The Company and its wholly owned subsidiary 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 30%.

(e) Goods and 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.

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

Note 3 Summary of significant accounting policies (continued)

(f) 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 property is accounted for using the fair value model. Under the fair value model, investment properties are measured initially at cost. Transaction costs are included in the initial measurement. Subsequent to 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. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss in the period in which they arise.

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 directors'. Where external valuation yields have deteriorated, the directors will apply the average yield expansion to the yields of the remaining investment properties, in determining directors' valuations. Where external valuation yields have improved, directors will maintain the existing external yield and use the present net rent value in determining directors' valuations. The directors will also take into consideration any property nuances, specific market factors, property location, and change in weighted average lease expiry before deciding on the final directors' valuation.

(g) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the HPI Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss.

(h) Financial instruments

(i) Non-derivative financial assets

The HPI Group initially recognises loans and 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 and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date 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.

(ii) 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 has the following non-derivative financial liabilities: 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.

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

Note 3 Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

(iii) Derivative financial instruments

The HPI Group uses derivative financial instruments, such as interest rate caps and forward interest rate swaps, to hedge its exposure to interest rate risks arising from financing and investment activities. The HPI Group does not hold or issue derivative financial instruments for trading purposes. When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in fair value are recognised immediately in profit or loss.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Since the HPI Group's derivative financial instruments have not been designated in hedge relationships that qualify for hedge accounting, the gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

The fair value of interest rate derivatives are based on market prices. The prices are tested for reasonableness by discounted estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar derivative at the measurement date and represent the estimated amount that the HPI Group would receive or pay to terminate the derivatives at the reporting date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the HPI Group or the counter party, when appropriate.

(iv) Issued units and issued shares

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.

(i) 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, economic conditions that correlate with defaults or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its 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 against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through the 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.

(j) Common control novation of assets and liabilities

Assets and liabilities were novated and assigned at their carrying value with a corresponding adjustment to equity.

(k) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the HPI Group, except for AASB 9 Financial Instruments, which becomes mandatory for the HPI Group's 2016 financial statements and could change the classification and measurement of financial assets. The HPI Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

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 continuously are obtained from suitably qualified independent valuers as discussed in note 13.

If an independent valuation has not been obtained at reporting date for an investment property the investment property is stated at the value of the last valuation plus any capital additions made to the investment property since the date of the last valuation. Notwithstanding this, the carrying value of each investment property at each reporting date is assessed by management to ensure that its carrying value does not significantly differ from its fair value at reporting date. Where management is of the opinion that the carrying value differs significantly from fair value, that asset is adjusted to its fair value.

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 capitalisation ("cap") rate. Selection of an appropriate cap rate is based on multiple criteria, including risk associated with achieving the net rent cash flows into the future, and observed market based cap rates for similar properties where they are available. 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 and the remaining economic life of the property. Where properties are held for sale and contracts have been exchanged, the property is valued at its contracted sale price.

(b) Trade and other receivables

The fair values of trade and other receivables, are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

(c) Derivatives

The fair value of interest rate derivatives are based on market prices. The prices are tested for reasonableness by discounted estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar derivative at the measurement date and represent the estimated amount that the HPI Group would receive or pay to terminate the derivatives at the reporting date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the HPI Group or the counter party, when appropriate.

Note 5 Financial risk management

The HPI Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market (price) risk

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 Responsible Entity and the Company have overall responsibility for the establishment and oversight of the risk management framework.

The Company has established and does maintain 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.

The Responsible Entity's Compliance Committee oversees how the Company monitors compliance with the HPI Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the HPI Group.

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

Note 5 Financial risk management (continued)

Credit risk

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

Rental and 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 95% of the HPI Group's rental revenue is attributable to one major tenant, the Coles Group.

In the event of rental defaults by any of the HPI Group's tenants or if a lease comes to an end the liquor and gaming licences 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.

The HPI Group has established an allowance for impairment that represents an estimate of incurred losses in respect of trade and other receivables. This allowance takes into consideration each tenant's individual circumstances.

Derivatives

The HPI Group has entered into derivative contracts with its bankers to hedge its interest rate risk. Each counterparty has an investment grade credit rating.

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 40-50% range) to mitigate liquidity risk associated with refinancing.

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.

Interest rate risk

Interest rate risk for the HPI Group arises from borrowings on which the banking syndicate charges interest on a variable rate basis. This risk is mitigated by the interest rate hedging the HPI Group has in place as described in note 3 (h) (iii). Interest rate risk also exists for interest earned on cash/bank holdings.

Property valuation risk

The HPI Group owns a number of investment properties. Those property valuations may increase or decrease from time to time. The HPI Group's Syndicated Facility Agreement ("SFA") entered into on 9 December 2013 with its banks, contains financial covenants which include a Loan to Value Ratio ("LVR") covenant. The HPI Group reviews the risk of breach of this covenant by regularly monitoring and reporting on it.

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. Capital consists of ASX listed stapled securities. The HPI Group monitors the return on capital as well as yields on the property portfolio.

As previously mentioned the HPI Group entered into the SFA with its banks on 9 December 2013. The HPI Group considers its borrowings as part of its capital management strategy. The SFA contains financial covenants within which the HPI Group must always operate, and include a LVR covenant and an Interest Cover Ratio (ICR) covenant. The Manager manages 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 2014.

The HPI Group has targeted a gearing ratio in the range of 40% to 50% in the normal course of business, which has been determined as a prudent and appropriate range given the nature of the business. However, gearing may be higher if the HPI Boards 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 under the SFA, which requires the HPI Group to have an initial LVR of less than or equal to 65% reducing to 60% over the term of the SFA.

The distribution policy of the HPI Group has been established taking into consideration the covenants of the SFA and may be adapted to maintain gearing within the range of 40-50% in the normal course of business.

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

Note 6 Novation of assets and liabilities to an entity under common control

Background to the novation of asset and liabilities

During the twelve months ended 30 June 2014 there were significant changes to the HPI Group.

New bank loans were negotiated and agreed, and the stapled securities in the HPI Group were then sold by way of a public float which concluded on 9 December 2013. Prior to the public float, assets and liabilities not intended for the float were assigned or novated to entities under common control of the vendors, leaving just those assets intended for inclusion in the HPI Group, predominantly the pub and bottleshop assets leased to the Coles Group.

The assignment and novation was governed by a Deed of Assignment and Novation agreed by The Trust Company (RE Services) Limited as Responsible Entity for the Trust and the recipient of the assets and liabilities. Also, novation agreements for the novation of the derivative financial instruments were agreed between the transferring parties and the respective financier.

At the time of the novation and assignment, HPI Trust and RHG Freehold Trust, were entities under common control, that is, these entities were ultimately under control of the same party or parties before the novation and assignment. As a result, the novation and assignment of assets and liabilities has been reflected as a transfer of equity.

Assets and liabilities novated - carrying value

	\$'000
Cash and cash equivalents	4,974
Trade and other receivables	41,556
Prepayments	583
Investment property	319,544
Trade and other payables	(3,890)
Loans and borrowings	(200,405)
Derivative financial instruments	(523)
Total net assets novated	161,839

Note 7 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 shareholders 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.

For the period 10 December 2013 to 30 June 2014, the Company and its controlled entity contributed \$180,000 revenue and incurred expenses of \$293,291 resulting in an after tax loss of \$79,303. If the stapling had occurred on 1 July 2013, management estimates that revenue would have been \$323,645 and expenses would have been \$527,347 resulting in an after tax loss of \$142,590.

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

		2014	2013
	Note	\$'000	\$'000
Note 8 Other expenses			
Advisory and legal fees		11,359	1,830
Management fees		1,785	2,100
Acquisition costs		-	648
Auditor's remuneration		423	241
Directors' fees		206	-
All other expenses		1,168	419
		<u>14,941</u>	<u>5,238</u>

The HPI Group incurred \$11.4m (2013: \$1.8m) of advisory and legal fees directly related to its listing on 10 December 2013 and is one-off in nature.

		\$	\$
Auditor's remuneration			
KPMG Australia			
- Audit and review of financial reports		150,000	240,871
- Other assurance services (investigating accountants report)		272,500	-
		<u>422,500</u>	<u>240,871</u>

		2014	2013
		\$'000	\$'000
Note 9 Finance costs			
Syndicated Facility Agreement ("SFA")			
- interest expense	(i)	15,617	25,477
- amortised borrowing costs and write off of deferred borrowing costs	(ii)	7,587	4,061
- other finance costs		345	88
		<u>23,549</u>	<u>29,626</u>

(i) Represents interest expense under the previous SFA which terminated on 9 December 2013 and the SFA which commenced contemporaneously on that date. The SFA interest rate is the average monthly BBSY (Bank Bill Swap Bid Rate) at the commencement of each funding period plus a margin.

(ii) Represents the write-off of the unamortised borrowing costs relating to the SFA which terminated on 9 December 2013, and amortisation of the borrowing costs relating to the new SFA which were capitalised on 9 December 2013 and amortised until 30 June 2014.

Note 10 Cash and cash equivalents			
Cash at bank and on hand		3,335	15,745
		<u>3,335</u>	<u>15,745</u>

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

		2014	2013
	Note	\$'000	\$'000
Note 11 Trade and other receivables			
Trade receivables		554	962
Less: Allowance for impairment		(19)	(62)
Net trade receivables		535	900
Due from related parties			
Redcape Property Fund Pty Ltd		-	5,063
Redcape Hotel Group Pty Ltd		-	25,497
Redcape Issuer Finance Pty Ltd		-	7
Other receivables		-	125
		535	31,592
Note 12 Assets held for sale			
Investment properties held for sale		-	4,000
		-	4,000
Movements			
Carrying amount at the beginning of the year		4,000	3,850
Disposals		(4,000)	(3,850)
Transfer from investment property	13	-	4,000
Carrying amount at the end of the year		-	4,000
Note 13 Investment property			
Investment property		496,740	756,713
Investment properties held for sale	12	-	(4,000)
		496,740	752,713
Movements			
Carrying amount at the beginning of the period		752,713	740,257
Transfer to non-current assets held for sale	12	-	(4,000)
Capital additions on investment properties		3,836	5,728
Acquisitions		6,660	11,884
Disposals		-	(18,160)
Fair value adjustments		53,075	13,470
Proceeds receivable from insurance claims		-	3,534
Novation of assets to an entity previously under common control		(319,544)	-
Carrying amount at the end of the period		496,740	752,713

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

Note 13 Investment property (continued)

Investment property

All investment properties are freehold and 100% owned by the Company as appointed sub-custodian of the Trust, with the exception of the Crown Hotel which is owned by CH Property Services Pty Ltd as appointed sub-custodian of CH Trust, and are comprised of land, buildings, fixed improvements and liquor and gaming licences. Plant and equipment is held by the tenant.

Leasing arrangements

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

Remaining lease terms for all properties are on average 9.0 years, excluding options for lease extensions upon completion of the lease term. Rents increase at 4% per annum on most properties in accordance with the leases.

Valuation of investment properties

The valuations of individual properties are prepared inclusive of liquor and gaming licences owned by the group. The basis of valuation of properties is fair value being the amount that would be received to sell the property in an orderly transaction between market participants. Valuations for properties are determined by reference to the net rent for each property, and an applicable capitalisation ("cap") rate. Selection of an appropriate cap rate is based on multiple criteria, including risk associated with achieving the net rent cash flows into the future, and observed market based cap rates for similar properties in the same location, condition, and subject to similar lease terms, where they are available. 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 and the remaining economic life of the property. Where properties are held for sale and contracts have been exchanged, the property is valued at its contracted sale price.

Fair value adjustments at 30 June 2014

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 directors'. Where external valuation yields have deteriorated, the directors will apply the average yield expansion to the yields of the remaining investment properties, in determining directors' valuations. Where external valuation yields have improved, directors will maintain the existing external yield and use the present net rent value in determining directors' valuations. The directors will also take into consideration any property nuances, specific market factors, property location, and change in weighted average lease expiry before deciding on the final directors' valuation.

Independent valuations were obtained for all 48 investment properties as at 1 October 2013. These valuations were completed by CBRE Hotels Valuation & Advisory Services, and Urbis.

For the year ended 30 June 2014 the board determined that it would not obtain further external valuations, and would instead provide directors' valuations for all properties as at 30 June 2014.

	June 2014 Yields	June 2013 Yields
Coles Group	6.75% - 8.30%	6.75% - 8.75%
Other	-	7.54% - 22.18%

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

Note 13 Investment property (continued)

Fair value hierarchy

The fair value measurement for investment property of \$496.7m has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Level 3 fair value

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	2014	2013
	\$'000	\$'000
Reconciliation of fair value gains/losses		
Fair value as at beginning of the year	752,713	740,257
Transfer to non-current assets held for sale	-	(4,000)
Capital additions on investment properties	3,836	5,728
Acquisitions	6,660	11,884
Disposals	-	(18,160)
Proceeds receivable from insurance claims	-	3,534
Novation of assets to an entity under common control	(319,544)	-
Carrying amount before revaluations	443,665	739,243
Fair value as at end of the year	496,740	752,713
Fair value gain/(loss) for year	53,075	13,470

Valuation technique and 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 unobservable inputs and fair value measurement
Capitalisation of rent allowing for the following adjustments:		The estimated fair value would increase (decrease) if:
- Additional land	Net rent	Net rent was higher (lower)
- Capital allowance	Capitalisation rates	Capitalisation rates were (lower) higher
	Additional land	Additional land was higher (lower) in value
	Capital allowance	Capital allowance was (smaller) larger

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

Note 13 Investment property (continued)

Property	Location	Date acquired	Fair Value at 30 June 2014 \$'000	Capitalisation rate
Pubs and On-site Specialty Leases				
Barron River Hotel	Stratford QLD	Feb-01	5,780	8.00%
Berserker Tavern	Rockhampton QLD	May-04	8,030	7.50%
Bonny View Tavern	Bald Hills QLD	Dec-06	10,830	7.50%
Boomerang Motor Hotel	West Mackay QLD	Sep-01	7,880	8.00%
Bribie Island Hotel	Bellara QLD	Aug-07	13,290	7.30%
Brighton Hotel	Brighton QLD	Jul-05	9,920	7.25%
Brighton Metro Hotel	Brighton SA	Jul-07	12,850	6.75%
Caboolture Sundowner Hotel Motel	Caboolture QLD	Sep-03	9,170	7.40%
Chancellors Tavern	Sippy Downs QLD	Aug-07	11,050	7.00%
Cleveland Sands Hotel	Cleveland QLD	Dec-06	21,490	7.10%
Cleveland Tavern	Cleveland QLD	Sep-03	12,150	7.20%
Club Hotel	Gladstone QLD	Jan-05	5,890	8.10%
Coomera Lodge Hotel	Oxenford QLD	Dec-06	4,140	7.00%
Crown Hotel	Lutwyche QLD	Nov-05	27,730	7.67%
Diamonds Tavern	Kallangur QLD	Mar-06	8,060	7.47%
Dunwoodys Tavern	Cairns QLD	Jan-97	17,820	7.50%
Everton Park Hotel	Everton Park QLD	Dec-06	19,530	7.25%
Ferry Rd Tavern	Southport QLD	Jul-06	22,650	7.91%
Fitzys Loganholme	Loganholme QLD	Jun-06	18,610	7.00%
Fitzys Waterford	Waterford QLD	Jun-06	13,870	7.50%
Grafton Hotel	Edmonton QLD	Jun-94	5,900	8.00%
Grand Junction Hotel	Pennington SA	Jul-07	8,290	7.00%
Hotel Wickham	Fortitude Valley QLD	Jun-06	9,180	7.30%
Kings Beach Tavern	Caloundra QLD	Aug-07	13,880	7.00%
Kooyong Motor Hotel	North Mackay QLD	Mar-02	6,260	8.30%
Leichhardt Hotel	Rockhampton QLD	Nov-04	7,260	8.20%
Lord Stanley Hotel	East Brisbane QLD	Aug-07	8,410	7.10%

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

Note 13 Investment property (continued)

Property	Location	Date acquired	Fair Value at 30 June 2014 \$'000	Capitalisation rate
Mi Hi Tavern	Brassal QLD	Dec-06	13,790	7.50%
New Inala Hotel	Inala QLD	Jun-05	9,170	7.50%
Palm Cove Tavern	Palm Cove QLD	Apr-04	5,840	8.00%
Payneham Tavern	Royston Park SA	Jul-07	7,960	7.00%
Royal Hotel Townsville	West End QLD	Sep-98	5,090	8.00%
Royal Mail Hotel	Tewantin QLD	Aug-07	14,960	7.50%
Sole on Sheridan	Cairns QLD	Jun-05	7,070	7.50%
The Hotel Allen	Northward QLD	May-00	16,250	7.75%
The Regatta	Toowong QLD	Nov-06	33,220	7.00%
Tom's Tavern	Aitkenvale QLD	Dec-03	17,340	7.72%
Trinity Beach Tavern	Trinity Beach QLD	Jun-05	13,070	7.75%
Waterloo Tavern	Paralowie SA	Jul-07	15,930	7.00%
Western Tavern	West Gambier SA	Jul-07	6,140	8.00%
Woodpecker Tavern	Burpengary QLD	Sep-03	6,550	7.50%
Total Pubs and On-site Speciality Leases			492,300	7.42%
Detached bottle shops				
Bella Vista	Brinsmead QLD	Aug-99	470	7.00%
Bundock St	Belgian Gardens QLD	May-04	700	7.00%
Centenary	Centenary Heights QLD	Sep-99	470	7.00%
Edge Hill	Edge Hill QLD	Sep-98	700	7.00%
English St	Manunda QLD	Oct-99	700	7.00%
Kewarra	Kewarra Beach QLD	Sep-05	700	7.00%
Railway Estate	Railway Estate QLD	Nov-04	700	7.00%
Total detached bottle shops			4,440	7.00%
Total investment property			496,740	7.42%

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

	2014 \$'000	2013 \$'000
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Note 14 Taxes

Tax expense

(a) Tax expense recognised in profit or loss

Current tax benefit

Current year	(34)	-
	(34)	-

Tax (benefit) attributable to profit from continuing operations	(34)	-
---	------	---

(b) Numerical reconciliation between tax expense and pre-tax accounting profit

Profit / (loss) before tax	59,266	39,255
Income tax expense calculated at 30%	17,780	11,777
Trust income not subject to tax	(17,814)	(11,777)
Tax (benefit) on profit / (loss) before tax	(34)	-

(c) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Accrued expenses	2	-	-	-	2	-
Tax loss carry-forwards	32	-	-	-	32	-
	34	-	-	-	34	-

	2014 \$'000	2013 \$'000
(d) Movements in deferred tax balances during the year		
Balance at the beginning of the year	-	-
Recognised in profit and loss	34	-
Balance at the end of the year	34	-

	2014 \$'000	2013 \$'000
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Note 15 Trade and other payables

Current

Trade payables	91	126
Due to related parties	18	2,099
Other payables	2,301	2,282
	2,410	4,507

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

	2014 \$'000	2013 \$'000
Note 16 Loans and borrowings		
<i>Current</i>		
Bank loans	-	3,427
	-	3,427
<i>Non-current</i>		
Bank loans	223,175	409,106
	223,175	409,106
 Total bank loans	 223,175	 412,533
 SFA extinguished		
Syndicated Facility Agreement ("SFA")	417,875	420,000
Syndicated Facility Agreement ("SFA") - repayment	(417,875)	-
Borrowing costs capitalised	(12,219)	(12,219)
Amortisation of borrowing costs	6,548	4,752
Borrowing costs write off	5,671	-
	-	412,533
 SFA newly established		
Syndicated Facility Agreement ("SFA") - drawdown	224,123	-
Borrowing costs capitalised	(1,067)	-
Amortisation of borrowing costs	119	-
	223,175	-

Repayment schedule

Loans under the Syndicated Facility Agreement are due to mature in 2018.

Note 17 Derivative financial instruments		
Derivative financial instruments - non current liability	3,162	976
	3,162	976
 Movements post 9 December 2013		
Derivative financial instruments at the beginning of the year	-	-
Fair value gain/(loss) for the year	(3,162)	-
Fair value of derivative financial instruments at end of the year	(3,162)	-
 Movements pre 9 December 2013		
Interest rate collar at the beginning of the year	(976)	(874)
Fair value gain/(loss) for the year	453	(102)
Novation of assets and liabilities to an entity under common control	523	-
Fair value of interest rate collar at end of the year	-	(976)
 Total fair value gain / (loss) for the year	 (2,709)	 (102)

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

	2014 \$'000	2013 \$'000
Note 18 Provisions		
<i>Current</i>		
Provision for distribution	11,693	-
Provision for capital works undertaken	195	-
	11,888	-
	Distribution	Capital works
Balance at the beginning of the year	-	-
Provisions made during the year	11,693	195
Balance at the end of the year	11,693	195

Distribution

The provision for distribution relates to distributions to be paid to stapled securityholders on 18 September 2014. This distribution will be funded via drawdown on the existing loan facility.

Capital works undertaken

The provision for capital works undertaken relates to preliminary expenditure incurred on capital development works on projects that may not proceed further.

	No of units	\$'000
Note 19 Contributed equity		
2014		
On issue at 1 July 2013 - fully paid	9,042,761,481	691,513
Consolidation of units on issue	(8,909,891,481)	-
Novation of assets and liabilities to an entity under common control	-	(278,291)
On issue at 30 June 2014 - fully paid	132,870,000	413,222
2013		
On issue at 1 July 2012 - fully paid	9,042,761,481	691,513
Movements	-	-
On issue at 30 June 2013 - fully paid	9,042,761,481	691,513

The consolidation of units on issue was at the rate of 68.05721 per unit held and occurred immediately prior to the stapling and the sale of units prior to the public float.

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 share of the distribution in proportion to the number of units held by them. All issued units are fully paid.

Stapled securities

The units in the Trust are stapled to the shares 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.

	2014 \$'000	2013 \$'000
Note 20 Accumulated losses		
Balance at the beginning of the year	(303,486)	(328,859)
Profit for the year	59,300	39,255
Transfer from capital reserve	62	-
Provision for distribution to stapled security holders	(11,693)	-
Distributions to unitholders of the Trust before stapling	(12,901)	(13,882)
Novation of assets and liabilities to an entity under common control	116,452	-
Balance at the end of the year	(152,266)	(303,486)

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

	2014 \$'000	2013 \$'000
Note 21 Reserves		
Capital reserve	-	62
<i>Movements</i>		
Opening balance at the beginning of the year	62	62
Transfer to accumulated losses	(62)	-
Closing balance at the end of the year	-	62

The capital reserve was no longer being maintained for a specific purpose and a decision was made to transfer the balance to accumulated losses.

	No of stapled securities	No of units
Note 22 Net assets per security		
Number of securities on issue as at the end of the year	132,870,000	9,042,761,481
Net assets at balance date	\$260,955,879	\$388,088,660
Per security on issue	\$1.96	\$0.04

Net assets per security on issue have increased primarily due to the consolidation of units on issue, as disclosed in Note 19.

	No of stapled securities	No of units
Note 23 Earnings per security		
Number of securities on issue as at the end of the year	132,870,000	9,042,761,481
Basic and diluted earnings per security - cents	44.63	0.43

Earnings per security on issue have increased primarily due to the consolidation of units on issue, as disclosed in Note 19.

Note 24 Distributions

	Total distribution \$'000	No of stapled securities	Distributions per stapled security cents
Distributions to stapled security holders			
2014			
10 December 2013 to 31 December 2013	-	132,870,000	-
1 January 2014 to 30 June 2014	11,693	132,870,000	8.80
Total distribution for the year	11,693		8.80

	Total distribution \$'000	No of units	Distributions per unit cents
Distributions to unitholders of the Trust before stapling			
2014			
1 July 2013 to 9 December 2013	12,901	9,042,761,481	0.14
2013			
1 July 2012 to 30 June 2013	13,882	9,042,761,481	0.15
Total distribution for the year	13,882		0.15

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

	2014	2013
	\$'000	\$'000
Note 25 Operating leases		
<i>Leases as lessor</i>		
The HPI Group leases out its investment properties under operating leases (see note 13). The future minimum lease receipts under non-cancellable leases are as follows:		
Less than one year	38,081	65,744
Between one and five years	167,925	288,540
More than five years	182,476	487,760
	388,482	842,044

Note 26 Group entities

Subsidiaries	Country of incorporation	Ownership interest
The C.H. Trust	Australia	100%
Hotel Property Investments Limited	Australia	*
C.H. Properties Pty Ltd	Australia	*

* Hotel Property Investments Limited is not a subsidiary of the Trust, Hotel Property Investments Limited is stapled to the Trust and C.H. Properties Pty Ltd is a 100% subsidiary of Hotel Property Investments Ltd.

	2014	2013
	\$'000	\$'000
Note 27 Parent entity		
As at, and throughout the financial year ended 30 June 2014 the parent entity of the HPI Group was the Trust.		
Result of the parent entity		
Profit / (loss) for the period	54,495	40,225
Other comprehensive income	-	-
Total comprehensive income	54,495	40,225

Financial position of the parent entity at period end

Current assets	12,679	58,839
Total assets	483,044	790,874
Current liabilities	14,228	7,876
Total liabilities	240,564	417,957
Net assets	242,480	372,917

Total equity of the parent entity comprising of:

Contributed equity	413,223	691,513
Accumulated losses	(170,743)	(318,658)
Reserves	-	62
Total equity	242,480	372,917

The parent's contingent assets, contingent liabilities and commitments are the same as those of the HPI Group as disclosed in Notes 31, 32 and 33.

This statement includes revenues and expenses for the 48 investment properties included in the HPI Group float and an additional 28 investment properties only up until their novation to another entity on 9 December 2013 as part of the HPI Group float.

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

Note 28 Related parties

(a) Key management personnel

The Trust does not employ personnel in its own right. However, the Trust is required to have an incorporated responsible entity to manage its activities. The directors and company secretary of the Responsible Entity are considered key management personnel of the Trust and the HPI Group.

No fees or benefits are payable to the directors of the Responsible Entity out of the assets of the Trust. Those directors are employees of The Trust Company (RE Services) Limited.

The directors of the Company are considered key management personnel of the HPI Group.

As previously stated the Company has delegated and subcontracted substantially all of its administrative, operational and management obligations to the Services Manager (Redcape Services Pty Ltd) pursuant to the Administrative Services Agreement. As a result the HPI Group has no other key management personnel.

(b) Key management personnel compensation

Key management personnel compensation from the date of stapling comprised the following:

	2014 \$	2013 \$
Short-term employee benefits	188,475	-
Post-employment benefits	17,434	-
	205,909	-

Post-employment benefits relate to defined contribution superannuation benefits.

(c) Other related party transactions

	Transaction values for the year ended 30 June		Balance outstanding as at 30 June	
	2014	2013	2014	2013
	\$	\$	\$	\$
Responsible entity fee	185,727	67,637	18,333	4,167
Services Manager fee	1,784,651	2,099,513	-	-

Responsible Entity fee

The Responsible Entity is entitled to receive a fee each financial year while it is the responsible entity of the Trust. The fees will be paid from the income or assets of the Trust monthly in arrears.

The base fee is equal to:

- a. where the value of the Portfolio on the last Business Day of a financial year is less than or equal to \$500 million, \$220,000 per annum (as adjusted annually for CPI); or
- b. where the value of the portfolio on the last business day of a financial year is more than \$500 million, \$220,000 per annum (as adjusted annually for CPI) plus 0.03% per annum of the value of the Portfolio in excess of \$500 million.

Entities related to the Responsible Entity within the Perpetual Group held 1,169,668 of stapled securities.

Services Manager fee

John Russell and Trevor O'Hoy, non-executive directors of the Company, are also directors of the Services Manager. David Charles, Company Secretary of the Company is also a director of the Services Manager.

The Services Manager is being paid a fixed monthly fee of \$135,732 for providing the primary administrative, operational and management services under the Administrative Services Agreement.

Unitholders prior to stapling

Prior to the public float of the HPI Group, assets and liabilities not intended for the float were assigned or novated to entities under common control of the vendors. The amounts assigned or novated are disclosed in Note 6. At the end of the period there are no amounts owing to the vendors.

During the period distributions totalling \$12.9m were paid to the unitholders of the Trust prior to stapling.

For the period prior to the listing of the HPI Group, the HPI Group paid for transactions on behalf of other entities under common control of the vendors. The total amount paid was \$8.9m of which \$3.0m was repaid. The amounts owing to the HPI Group were then novated to other entities under common control of the vendors. At the end of the period there are no amounts owing to the HPI Group.

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

Note 29 Financial Instruments

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

30 June 2014

\$'000

30 June 2014

\$'000

		Carrying amount							Fair value				
	Note	Held for trading	Designated at fair value	Fair value hedging instruments	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value													
Trade and other receivables	11	-	-	-	-	535	-	-	535				
Cash and cash equivalents	10	-	-	-	-	3,335	-	-	3,335				
		-	-	-	-	3,870	-	-	3,870				
Financial liabilities measured at fair value													
Interest rate derivatives	17	-	-	(3,162)	-	-	-	-	(3,162)	-	(3,162)	-	(3,162)
		-	-	(3,162)	-	-	-	-	(3,162)				
Financial liabilities not measured at fair value													
Secured bank loans	16	-	-	-	-	-	-	(223,175)	(223,175)				
Trade and other payables	15	-	-	-	-	-	-	(2,410)	(2,410)				
		-	-	-	-	-	-	(225,585)	(225,585)				

30 June 2013

\$'000

30 June 2019

\$'000

		Carrying amount							Fair value				
		Held for trading	Designated at fair value	Fair value hedging instruments	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Note												
Financial assets not measured at fair value													
Trade and other receivables	11	-	-	-	-	31,592	-	-	31,592				
Cash and cash equivalents	10	-	-	-	-	15,745	-	-	15,745				
		-	-	-	-	47,337	-	-	47,337				
Financial liabilities measured at fair value													
Interest rate derivatives	17	-	-	(976)	-	-	-	-	(976)	-	(976)	-	(976)
		-	-	(976)	-	-	-	-	(976)				
Financial liabilities not measured at fair value													
Secured bank loans	16	-	-	-	-	-	-	(412,533)	(412,533)				
Trade and other payables	15	-	-	-	-	-	-	(4,507)	(4,507)				
		-	-	-	-	-	-	(417,040)	(417,040)				

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

	2014	2013
	\$'000	\$'000
Note 29 Financial instruments (continued)		
(b) Credit risk		
<i>Exposure to credit risk</i>		
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:		
Cash and cash equivalents	3,335	15,745
Trade receivables	535	900
Due from related parties	-	30,567
Other receivables	-	125
	3,870	47,337

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 trade receivables aged as at the reporting date by type of customer was as follows:

		Gross	Impairment	Gross	Impairment
		2014	2014	2013	2013
		\$'000	\$'000	\$'000	\$'000
Main tenant - rental receivables	Not past due	82	-	374	-
	Past due 0- 30 days	119	-	113	-
	Past due 31-120 days	284	-	397	(28)
		485	-	884	(28)
Other tenants - rental receivables	Not past due	48	-	21	-
	Past due 0- 30 days	4	-	18	-
	Past due 31-120 days	17	(19)	39	(34)
		69	(19)	78	(34)
		554	(19)	962	(62)

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

		2014	2013
	Note	\$'000	\$'000
Balance at 1 July		(62)	(11)
Impairment loss recognised - receivables	11	-	(51)
Impairment loss derecognised - receivables	11	43	-
Balance at 30 June		(19)	(62)

Impairment losses

The HPI Group believes that the unimpaired amounts that are past due by more than 30 days are still collectable, based on historic payment behaviour and extensive analysis of the underlying customer's credit rating. Based on historic default rates, the HPI Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables past due.

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

Note 29 Financial instruments (continued)

(c) Liquidity risk

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

	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
2014							
Secured bank loans	223,175	275,791	4,967	4,780	11,833	254,211	-
Trade and other payables	2,410	2,410	2,410	-	-	-	-
	225,585	278,201	7,377	4,780	11,833	254,211	-
2013							
Secured bank loans	412,533	459,490	14,520	14,520	430,450	-	-
Trade and other payables	4,507	4,507	4,507	-	-	-	-
	417,040	463,997	19,027	14,520	430,450	-	-

The following table indicates the periods in which the cash flows associated with derivatives are expected to impact profit or loss:

	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
2014							
Derivatives liability	3,162	3,162	-	-	-	3,162	-
2013							
Derivatives liability	976	976	-	-	976	-	-

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

Note 29 Financial instruments (continued)

(d) Market risk

Interest rate risk

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

	2014	2013
	\$'000	\$'000
Variable rate instruments		
Financial assets	3,335	15,745
Financial liabilities	(226,337)	(413,509)
	<u>(223,002)</u>	<u>(397,764)</u>

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.

	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
2014					
Cash at bank	3,335	33	33	(33)	(33)
Bank loans	(223,175)	(2,232)	(2,232)	2,232	2,232
Interest rate derivatives	(3,162)	1,325	1,325	(7,607)	(7,607)
	<u>(223,002)</u>	<u>(874)</u>	<u>(874)</u>	<u>(5,408)</u>	<u>(5,408)</u>
2013					
Cash at bank	15,745	157	157	(157)	(157)
Bank loans	(412,533)	(4,125)	(4,125)	4,125	4,125
Interest rate derivatives	(976)	137	137	(4,829)	(4,829)
	<u>(397,764)</u>	<u>(3,831)</u>	<u>(3,831)</u>	<u>(861)</u>	<u>(861)</u>

(e) Fair values

The fair values of financial assets and liabilities are the same as their carrying values.

Interest rate derivative financial instruments carried at fair value (note 17). Under the "Fair value hierarchy", the valuation method relevant to interest derivatives is Level 2, defined as: "inputs, other than quoted prices in active markets for identical assets and liabilities, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)".

Hotel Property Investments
Report for the year ended 30 June 2014
Notes to the consolidated financial statements (continued)

	2014 \$'000	2013 \$'000
Note 30 Statement of cash flows - additional information		
Reconciliation of cash flows from operating activities with profit attributable to the stapled securityholders		
Profit for the period	59,300	39,255
Fair value adjustment to investment property	(53,075)	(13,470)
(Gain) / loss on sale of investment property	544	1,080
Fair value adjustment of derivative financial instruments	2,709	102
Amortisation of borrowing costs	7,587	4,061
Tax benefit	(34)	-
<i>Change in operating assets and liabilities</i>		
(Increase)/decrease in trade and other receivables	(4,516)	556
(Increase)/decrease in prepayments	575	(1,296)
Increase/(decrease) in trade and other payables	9,364	(6,112)
Increase/(decrease) in provisions	152	54
Net cash from operating activities	22,606	24,231

Note 31 Contingent assets

The HPI Group is not aware of any contingent assets at 30 June 2014 which may materially affect the operation of the business.

Note 32 Contingent liabilities

The HPI Group is not aware of any contingent liabilities at 30 June 2014 which may materially affect the operation of the business.

Note 33 Commitments

The HPI Group has a memorandum of understanding with its major tenant the Coles Group, to perform various capital maintenance works. Additionally the HPI Group has agreed to capital development of certain Coles Group properties.

Note 34 Segment information

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

Revenues from Coles Group represented approximately \$38.6 million (2013: \$37.0 million) of the HPI Group's total revenues.

Note 35 Subsequent events

On 15 August 2014 the HPI Group successfully exchanged contracts to acquire Hotel HQ for \$18.1m, a freehold hotel property leased to the Coles Group in the Brisbane suburb of Underwood. Hotel HQ is leased on similar terms to the HPI Group's existing Coles Group properties. The purchase will be funded from available capacity in the HPI Group's loan facility. Settlement is expected to take place on 15 September 2014.

No other item, transaction or event has occurred subsequent to 30 June 2014 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 years.

Hotel Property Investments
Report for the year ended 30 June 2014
Directors' declaration

In the opinion of the directors of The Trust Company (RE Services) Limited, as Responsible Entity for the Hotel Property Investment Trust:

1. the consolidated financial statements and notes, set out on pages 21 to 49, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of Hotel Property Investments Group financial position as at 30 June 2014 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 Investment Trust will be able to pay its debts as and when they become due and payable.

The directors draw attention to note 2(a) 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 The Trust Company (RE Services) Limited.



Andrew Cannane

Director

Sydney

Dated this 27th day of August 2014



Independent auditor's report to the stapled security holders of Hotel Property Investments Limited and Hotel Property Investments Trust

Report on the financial report

We have audited the accompanying financial report of Hotel Property Investments (the Group), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of profit or loss and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 35 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising Hotel Property Investments Limited (the Company), Hotel Property Investments Trust (the Trust) and the entities they controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of The Trust Company (RE Services) Limited, being the Responsible Entity of the Trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 17 to 18 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Hotel Property Investments for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*

KPMG

Darren Scammell
Partner

Melbourne

27 August 2014

Hotel Property Investments

Report for the year ended 30 June 2014

Securityholder Information

Substantial Securityholders

The number of stapled securities held by the HPI Group's substantial securityholders as at 13 August 2014 is as follows:

Name	Stapled Securities
Investors Mutual	14,940,094
Goldman Sachs Asset Management	6,793,472

20 Largest Securityholders

As at 13 August 2014

Name	Number of Stapled Securities held	Percentage of Total Stapled Securities
1 Investors Mutual	14,940,094	11.24%
2 Goldman Sachs Asset Management	6,793,472	5.11%
3 Varde Partners	6,630,213	4.99%
4 BT Investment Management	6,298,946	4.74%
5 Vanguard Investments Australia	6,066,436	4.57%
6 Resolution Capital	5,197,125	3.91%
7 Colonial First State - Core Australian Equities	4,953,279	3.73%
8 Renaissance Smaller Companies	4,905,469	3.69%
9 AMP Capital Investors	3,711,330	2.79%
10 Renaissance Property Securities	2,770,106	2.08%
11 Maple-Brown Abbott	2,766,376	2.08%
12 Schroder Investment Management	2,595,567	1.95%
13 UBS Securities	2,568,693	1.93%
14 Regal Funds Management	2,537,673	1.91%
15 JPMorgan Asset Management	2,197,808	1.65%
16 IFM Investors	1,610,727	1.21%
17 York Capital Management	1,287,131	0.97%
18 BlackRock Investment Management (Australia) (BGI)	1,261,100	0.95%
19 Mr Michael Tilley	1,119,048	0.84%
20 Independent Asset Management	1,033,000	0.78%
Total	81,243,593	61.15%

Distribution of Securityholders

As at 13 August 2014

Range	Total Holders	Stapled Securities	Percentage of Total Stapled Securities
1 - 1,000	222	144,233	7.45%
1,001 - 5,000	981	3,289,673	32.95%
5,001 - 10,000	624	5,362,105	20.95%
10,001 - 100,000	1,099	27,392,166	36.90%
100,001 and over	52	96,681,823	1.75%
Total	2,978	132,870,000	100.00%

As at 13 August 2014, there were 132,870,000 fully-paid stapled securities held by 2,978 individual securityholders.

Hotel Property Investments
Report for the year ended 30 June 2014

Corporate Directory

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Auditor

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Responsible Entity

The Trust Company (RE Services) Limited
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Telephone: 02 8295 8100

Company Secretary

Hotel Property Investments Limited
David Charles

The Trust Company (RE Services) Limited
Glenda Susan Charles
Thornton John Christensen
Sylvie Dimarco