ASX Announcement

18 November 2015

The Manager
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HOTEL PROPERTY INVESTMENTS

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Hotel Property Investments (ASX Code: HPI)
Annual General Meeting, 18 November 2015
Chairman's Address

Ladies and Gentlemen,

Introduction

30 June 15 marked the end of the company's first full financial year since listing on the Australian Securities Exchange in December 2013, a period in which the company exceeded both the statutory profit and securityholder distribution projections included in the Prospectus and Product Disclosure Statement of December 2013. In the year since the Annual General Meeting of November 2014 your Board and Management has continued to prudently manage the business, having;

- acquired 4 quality, long term assets for the fund whilst divesting several non-core assets,
- negotiated a reduction in the interest rate margin on HPI's bank loans, and a $10 million increase in HPI's loan facility limit
- restructured the company's hedging arrangements to better reflect interest rate risks in the current environment
- managed Trust Administration costs below their budgeted levels
- delivered a total distribution of 16.3 cents and provided guidance for FY16 of 17.7 cents per security, a growth rate of 8.6%.

Financial Results and Capital Management

In the year ended 30 June 2015 HPI achieved a group statutory profit after tax of $35.4 million, from gross property revenues of $44.9 million, which included an $18 million fair value gain on investment properties, property outgoings expense of $6.9 million, Management and Trust Expenses of $3.2 million, and financing costs of $10.4 million. AFFO or Adjusted Funds from Operations was $23.8 million, exceeding the Prospectus forecast by $2.7 million, and was 100% distributed to security holders.

As at 30 June 2015 HPI's gearing of 43.6% remained comfortably within the Board's target range of 40% - 50%, and there was approximately $19m million headroom available within HPI's current loan facilities.

Portfolio Management

During the 2015 financial year HPI was successful in acquiring 4 new assets which met with the company's investment criteria. Three are leased to the Coles group and the 4th to Australian Leisure & Hospitality, majority owned by Woolworths, and representing HPI's first pub leased to ALH. The acquisition of these quality assets was distribution accretive to HPI security holders, and we consider each an excellent long-term addition to the HPI portfolio.

There has been a tightening in the pub freehold market in the last 12 months, with less "investment grade tenant" transactions than previously. Whilst successfully acquiring 4 assets, we assessed many more, and maintained our strict qualitative and financial return criteria.

AFSL

In August HPI announced it had applied to the ASIC for an Australian Financial Services Licence, or AFSL, which once granted will provide the company greater flexibility, and importantly the opportunity to create efficiencies and further reduce the Administration costs of the business.

The application is presently being assessed by the ASIC and the company will update the market in due course.

Summary

We are now almost half way through financial year 2016 and the company remains focussed on delivering the distribution guidance provided in August 2015 of 17.7 cents per security.

Finally, I would like to thank Mr Trevor O'Hoy, who stepped down as a director during the year for his contribution to HPI. His deep knowledge of the HPI portfolio and hotel industry were invaluable, and my colleagues and I all enjoyed working with Trevor and appreciated his experience and deep insights.

End.

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