

**Appendix 4D
Half Year Report
Six Months Ended 31 December 2015**

Address
L23, HWT Tower,
40 City Road, Southbank
Melbourne VIC, 3006

Name of entity

HOTEL PROPERTY INVESTMENTS (HPI)

ABN or equivalent company reference

Hotel Property Investments Trust (ARSN 166 484 377) and Hotel Property Investments Limited (ABN 25 010 330 515)
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Half yearly	Preliminary final	Reporting Period
✓		1 July 2015 to 31 December 2015 (previous corresponding period 1 July 2014 to 31 December 2014)

Results for announcement to the market

	Six Months Ended 31 December 2015	Six Months Ended 31 December 2014	
	A\$'000	A\$'000	Variance %
Rent revenue from investment properties	21,796	19,702	10.63%
Total income from operating activities	40,885	24,190	69.01%
Profit / (loss) for the period from operating activities after tax attributable to stapled security holders	35,445	19,160	84.99%
Profit / (loss) for the period attributable to stapled security holders	30,203	7,286	314.56%
Interim trust distribution amount per stapled security (cents)	9.0	7.9	13.92%
Interim dividend amount per stapled security (cents)	0.0	0.0	0.00%
Record date for determining entitlements to trust distribution	31 December 2015	31 December 2014	
Payment date for trust distribution	4 March 2016	6 March 2015	

Explanation of Results

- Rent revenue increased by 10.63% due to:
 - annual rent increases averaging 3.9% across the portfolio; and
 - Net increase of three pubs in the portfolio. Two pubs were acquired during the six months ended 31 December 2014 then before commencement of the six months ended 31 December 2015 a further two pubs were acquired and one divested.
- Total income increased by 69.01% primarily due to significant fair value adjustment of investment property during the current period of \$16.3 million (2014: \$2.1 million).
- Total profit increased due to:
 - the abovementioned increases in rent revenue and fair value adjustments; and
 - a change in accounting policy for derivatives. The adoption of hedge accounting means that the effective portion of changes in the fair value of the derivative is recognised in Other Comprehensive Income and accumulated in the hedging reserve. As a result no change in fair value of derivatives was recognised in profit / loss (2014: \$6.6 million loss). Further, the fair value of derivatives as at adoption of hedge accounting is being amortised giving rise to other income of \$0.4 million (2014: nil).
- The increase in rent revenue was the key driver in raising Adjusted Funds From Operations which led to the increased distribution per stapled security.

Other Details

	31 December 2015	31 December 2014	Variance %
Net Tangible Assets per security	\$2.18	\$1.96	11.21%
Total distribution payable for half year (A\$'000)	13,149	11,542	13.93%

- There were no entities over which control was gained or lost during the period.
- There were no dividend or distribution reinvestment plans in operation for the period.
- There were no associates or joint venture entities during the period.

The financial information provided in the Appendix 4D is based on the Half Year Report (attached).

Audit

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

Hotel Property Investments (HPI)
Half Year Report
For the Six Months Ended 31 December 2015

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
Half Year Report for the six months ended 31 December 2015

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Hotel Property Investments

Half Year Report for the six months ended 31 December 2015

Directors' report

The directors of The Trust Company (RE Services) Limited (the "Responsible Entity") for the Hotel Property Investments Trust ("the 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") and its controlled entity (together "the HPI Group") for the half year ended 31 December 2015.

The units in the Trust and the shares in the Company are stapled and cannot be traded or dealt with separately.

The Responsible Entity is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 12, 123 Pitt Street, Sydney, NSW 2000.

Corporate Governance

A copy of HPI Group's Corporate Governance Statement is available on HPI Group's website at www.hpitrust.com.au/cms/corporate_governance

1. Directors and officers

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 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 half year ended 31 December 2015:

Andrew Cannane	Appointed 31 March 2011
Christopher Green	Appointed 7 March 2014
Gillian Larkins	Appointed 7 March 2014, resigned 31 July 2015
Anna O'Sullivan	Appointed 7 March 2014 as an alternate director for each of Andrew Cannane and Christopher Green, resigned as alternate director 4 December 2015
Glenn Foster	Appointed 7 March 2014 as an alternate director for Gillian Larkins, resigned as alternate director 31 July 2015 Appointed director 31 July 2015
Michael Vainauskas	Appointed 2 March 2015
Rodney Garth Ellwood	Appointed 4 December 2015 as alternate director for Andrew Cannane and Christopher Green

The following persons were directors of the Company during the half year ended 31 December 2015:

Michael Tilley
Raymond Gunston
Lachlan Edwards
John Russell

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Directors' report (continued)

2. Principal activities

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

3. Significant changes in state of affairs

During the six months ended 31 December 2015 total assets increased by \$14.8 million and net assets increased by \$16.5 million, primarily as a result of a \$16.3 million fair value increase in Investment Properties. Net assets per security increased from \$2.07 at 30 June 2015 to \$2.18 at 31 December 2015.

There were no other significant changes to the state of affairs of the HPI Group.

4. Distributions and dividends

No provisions for, or payments of Company dividends have been made during the half year ended 31 December 2015 (2014: nil).

An expected distribution of 9.0 cents per stapled security for the half year ending 31 December 2015 was announced to the Australian Stock Exchange (ASX) on 17 December 2015. The HPI Group has made a provision for an interim distribution of \$13.1 million.

5. Matters subsequent to the end of the financial half year

No item, transaction or event has occurred subsequent to 31 December 2015 that is likely in the opinion of the directors of the Responsible Entity to significantly affect the operations of the HPI Group, the results of those operations, or the state of affairs of the HPI Group in future financial periods.

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 ASX on 10 December 2013. The HPI Group owns a portfolio of freehold properties, comprising pubs and associated speciality stores located on the pub sites.

Half year performance

The HPI Group Profit after Tax for the six months ended 31 December 2015 was \$30.2 million. Operating revenues and expenses included rental income from investment properties of \$21.8 million, property cost recoveries of \$2.3 million, management fees and other trust costs of \$1.8 million, and financing costs of \$5.2 million. Additionally there was a fair value gain on investment property of \$16.3 million. Adjusting profit after tax for fair value adjustments, amortisation of derivatives and other minor items, the distributable earnings of the HPI Group was \$13.6 million. Adjusting further for maintenance capex of \$0.3 million the Adjusted Funds from Operations (AFFO) was \$13.3 million. The HPI Group's intention is to pay 100% of the full year AFFO as distributions.

Independent valuations were obtained for 15 investment properties at 31 December 2015 with the remaining investment properties valued by the Company Directors in accordance with the HPI Group policy. Valuation yields on the independently valued properties contracted by an average of 41 basis points. In accordance with the policy Directors held valuation yields on the remaining investment properties constant at their 30 June 2015 levels, whilst applying the current net income levels.

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Directors' report (continued)

6. Review and results of operations (continued)

Financial position

At 31 December 2015 the HPI Group's net assets were \$318.5 million representing net assets per stapled security of \$2.18 (June 2015: \$2.07). Major assets and liabilities included cash on hand of \$2.0 million, investment property of \$580.1 million, assets held for sale of \$0.7 million, receivables and other current assets of \$1.8 million and bank loans of \$246.3 million. Additionally, a provision was created for payment of distributions of \$13.1 million. During the period investment property values increased by \$16.6 million resulting mainly from fair value gains of \$16.3 million, whilst loans have decreased by \$3.9 million.

At 31 December 2015 the HPI Group's loan facility of \$270 million (drawn to \$246.3 million) and interest rate swaps are in place for an aggregate \$125 million until 10 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, debt cost and maturity profile.

Risk management

There has not been a material change in the HPI Group's risk profile since 30 June 2015. Details of the HPI Group's risk profile are outlined in the Directors' report for the year ended 30 June 2015.

Business strategies and prospects

The HPI Group will continue to pursue acquisition opportunities which meet its investment criteria, namely that target properties be in good condition, in key regional or metropolitan locations with potential for long term growth, and leased to experienced tenants on favourable lease terms. The HPI Group will maintain gearing within the 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 co-operation with its tenants and trading out of lesser quality properties in the portfolio as markets create value opportunities over time.

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Directors' report (continued)

6. Review and results of operations (continued)

Distributions

At 31 December 2015 the HPI Group made a provision of \$13.1 million for its interim distribution of 9.0 cents per stapled security. For the full year the HPI Group intends to distribute 100% of its AFFO, which is calculated as profit for the year adjusted for fair value movements, losses or gains on hedging, other non cash items, tax, and maintenance capital expenditure.

The following statement reconciles the profit after income tax to the AFFO.

	31 December 2015
	\$'000
Profit after income tax for the period	30,203
Plus/(Less): Adjustments for non-cash items	
Fair value (increments)/decrements to investment properties	(16,340)
Fair value (increments)/decrements to derivatives	(443)
Loss/(gain) on sale of investment properties	-
Finance costs - non-cash	134
Income tax expense	2
Total adjustments for non-cash items	<u>(16,647)</u>
Distributable earnings	13,556
Less maintenance capital expenditure	<u>(270)</u>
Adjusted funds from operations	<u>13,286</u>
Interim Distribution provided for	<u>13,149</u>

	Cents
Earnings and distribution per stapled security:	
Basic and diluted earnings	20.7
Earnings available for distribution per security	9.1
Interim distribution per security	9.0

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Directors' report (continued)

7. Likely developments

During the six months ended 31 December 2015 HPI Limited applied to ASIC for an Australian Financial Services Licence, which once granted will provide the company greater flexibility, and importantly the opportunity to create efficiencies and further reduce the administration cost of the business. On 23 February 2016 the ASIC issued HPI with a draft AFS licence certificate, including a number of conditions for the HPI Group to consider in determining whether to proceed. The company will further update the market in due course.

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

8. 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 8 and forms part of the Directors' Report for the half year ended 31 December 2015.

9. Environmental regulation

Whilst the HPI Group is not subject to significant environmental regulation in respect of its property activities, the Company 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 Company directors are not aware of any material breaches of these requirements.

10. 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.

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



Rodney Ellwood

Director

Sydney

Dated this 25th day of February 2016



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 review for the half year ended 31 December 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Dean Waters
Partner

Melbourne

24 February 2016

Hotel Property Investments

Half Year Report for the six months ended 31 December 2015

Consolidated statement of profit or loss and other comprehensive income

		31 December 2015 \$'000	31 December 2014 \$'000
REVENUE			
Rent from investment properties		21,796	19,702
Revenue from investment properties - straight-line lease adjustment		46	12
Revenue from outgoings recovered		2,279	2,299
Total revenue		24,121	22,013
Other income			
Fair value adjustment to investment properties	11	16,340	2,123
Impact of straight-line lease adjustment on fair value of investment properties		(46)	(12)
Amortisation of Derivatives		443	-
Interest from cash deposits		26	54
Sundry income		1	12
Total other income		16,764	2,177
Total income from operating activities		40,885	24,190
OPERATING EXPENSES			
Investment property outgoings and expenses		(3,675)	(3,615)
Other expenses	6	(1,763)	(1,378)
Total expenses from operating activities		(5,438)	(4,993)
Profit from operating activities		35,447	19,197
Non operating income / (expenses)			
Change in fair value of derivative financial instruments		-	(6,557)
Finance costs	7	(5,242)	(5,317)
Total non operating income / (expenses)		(5,242)	(11,874)
Profit before tax		30,205	7,323
Tax (expense) / benefit		(2)	(37)
Profit for the year		30,203	7,286
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Cash flow hedges - effective portion of changes in fair value		(550)	-
Total comprehensive income		29,653	7,286
Profit / (loss) attributable to:			
Unitholders of the Trust		30,198	7,199
Shareholders of the Company		5	87
		30,203	7,286
Total comprehensive income attributable to:			
Unitholders of the Trust		29,648	7,199
Shareholders of the Company		5	87
		29,653	7,286
Basic and diluted earnings per security (cents)	19	20.67	5.28

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

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Consolidated statement of financial position

		31 December 2015 \$'000	30 June 2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	2,043	4,562
Trade and other receivables	9	392	410
Other current assets		1,400	694
Assets held for sale	10	700	700
Total current assets		4,536	6,366
Non-current assets			
Investment property	11	580,100	563,490
Other non-current assets		195	195
Deferred tax assets		14	16
Total non-current assets		580,310	563,701
TOTAL ASSETS		584,845	570,067
LIABILITIES			
Current liabilities			
Trade and other payables	12	3,551	2,357
Provisions	15	13,349	12,505
Total current liabilities		16,899	14,862
Non-current liabilities			
Loans and borrowings	13	246,331	250,201
Derivative financial instruments	14	3,153	3,046
Total non-current liabilities		249,484	253,247
TOTAL LIABILITIES		266,383	268,109
NET ASSETS		318,462	301,958
EQUITY			
Contributed equity	16	262,640	262,640
Retained earnings / (accumulated losses)	17	56,371	39,318
Reserves		(550)	-
TOTAL EQUITY		318,462	301,958

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

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Consolidated statement of changes in equity

	Note	Contributed Equity \$'000	Retained Earnings \$'000	Reserves \$'000	Total Equity \$'000
Balance at 1 July 2015		262,640	39,318	-	301,958
Total comprehensive income for the period					
Profit for the period		-	30,203	-	30,203
Total other comprehensive income		-	-	-	-
Derivative reserve movement				(550)	(550)
Total comprehensive income for the period		-	30,203	(550)	29,653
Provision for distribution to stapled security holders	20	-	(13,149)	-	(13,149)
Balance at 31 December 2015		262,640	56,371	(550)	318,462
Balance at 1 July 2014		413,222	(152,266)	-	260,956
Total comprehensive income for the period					
Profit for the period		-	7,286	-	7,286
Total other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	7,286	-	7,286
Transactions with owners in their capacity as owners recognised directly in equity					
Issue of units for cash	16	29,382	-	-	29,382
Provision for distribution to stapled security holders	20	-	(11,542)	-	(11,542)
Transfer of accumulated losses to contributed equity	17	(179,964)	179,964	-	-
Balance at 31 December 2014		262,640	23,442	-	286,082
Total recognised income and expense for the year is attributable to:					
- Trust					30,198
- Company					5
HPI Group					30,203

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

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Consolidated statement of cash flows

		31 December 2015	31 December 2014
	Note	\$'000	\$'000
Cash flows from operating activities			
Rent and outgoings from investment properties (GST inclusive)		26,502	24,253
Payments to suppliers		(7,396)	(7,452)
Interest receipts - bank deposits		26	54
Interest paid		(5,108)	(5,210)
Net cash from operating activities		14,024	11,645
Cash flows from investing activities			
Payment for investment properties		-	(31,923)
Payment for additions to investment property		(270)	(1,094)
Net cash from investing activities		(270)	(33,017)
Cash flows from financing activities			
Proceeds from borrowings		11,000	45,000
Repayments of borrowings		(15,000)	(42,000)
Proceeds from the issue of securities (net of costs)		-	29,382
Payment of distributions		(12,273)	(11,693)
Net cash from financing activities		(16,273)	20,689
Net increase/(decrease) in cash held		(2,519)	(683)
Cash and cash equivalents at the beginning of the period		4,562	3,335
Cash and cash equivalents at the end of the period	8	2,043	2,652

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

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Half Year Report for the six months ended 31 December 2015

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Hotel Property Investments

Half Year Report for the six months ended 31 December 2015

Notes to the consolidated financial statements

Note 1 Reporting entity

The consolidated financial report of Hotel Property Investments as at and for the half year ended 31 December 2015 comprises Hotel Property Investments Trust (the "Trust"), Hotel Property Investments Limited (the "Company") and their controlled entities (together "the HPI Group"). The Trust is a registered managed investment scheme under the *Corporations Act 2001*. The Company is a company limited by shares under the *Corporations Act 2001*. The responsible entity of the Trust is The Trust Company (RE Services) Limited (the "Responsible Entity").

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.

The principal activity of the HPI Group consists of real estate investment in the freehold pub sector in Australia. There has been no significant change in the nature of the principal activity during the half 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 AASB 134 *Interim Financial Reporting*, IAS 34 and the *Corporations Act 2001*. The consolidated interim financial report does not include all the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the HPI Group as at and for the year ended 30 June 2015, and any public announcements made by the HPI Group during the interim reporting period in accordance with the continuous disclosure requirements and the *Corporations Act 2001*.

(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 half year ended 31 December 2015 was approved by the directors of the Responsible Entity on 24 February 2016.

(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 period ended 31 December 2015 are described in the following notes:

- Note 4a and Note 11 - investment property
- Note 4c and Note 21 - financial instruments

(e) Working capital

As at 31 December 2015, the HPI Group had an excess of current liabilities over current assets of \$12.4 million. Notwithstanding this the financial report has been prepared on a going concern basis as the directors believe the HPI Group will continue to generate operating cash flows sufficient to meet current liability obligations.

On this basis, the directors have concluded that the deficiency of the net current assets does not impact the underlying going concern assumption applied in preparing these financial statements.

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Notes to the consolidated financial statements (continued)

Note 3 Significant accounting policies

HPI has elected to adopt hedge accounting from 1 July 2015 in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. All other accounting policies applied are consistent with those applied by the HPI Group in its consolidated financial report as at and for the year ended 30 June 2015.

(a) Derivative financial instruments and hedge accounting

The HPI Group holds derivative financial instruments to hedge its interest rate risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially recognised at fair value, any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Other Comprehensive Income (OCI) and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

(b) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning 1 July 2015, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the HPI Group except for AASB 9 *Financial Instruments* (effective date of 1 July 2017), AASB 15 *Revenue from contracts with customers* (effective date of 1 January 2017) and AASB 16 *Leases* (effective date of 1 January 2019). The HPI Group does not plan to adopt any of these standards early and the extent of the impact has not been determined.

Note 4 Determination of fair values

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

(a) Investment property

Independent valuations of investment properties which the HPI Group intends to hold are obtained from suitably qualified independent valuers as discussed in note 11.

Where properties have not been independently valued at reporting date, properties will be valued by Directors of the Company by capitalising the assessed net rent at the appropriate valuation yield.

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 valuation yield. Selection of an appropriate valuation yield is based on multiple criteria including risk associated with achieving the net rent cash flows into the future, and observed market based valuation yields 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. Properties held for sale are valued at the fair value as at the previous reporting period.

(b) Trade receivables

The fair values of trade 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.

Hotel Property Investments

Half Year Report for the six months ended 31 December 2015

Notes to the consolidated financial statements (continued)

Note 5 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 at the time of stapling.

	31 December 2015	31 December 2014
Note	\$'000	\$'000
Note 6 Other expenses		
Advisory and legal fees	444	63
Management fees	775	816
All other expenses	544	499
	<u>1,763</u>	<u>1,378</u>

	31 December 2015	31 December 2014
Note 7 Finance costs		
Syndicated Facility Agreement ("SFA")		
- interest expense	4,465	5,177
- amortised borrowing costs	134	107
- other finance costs	643	33
	<u>5,242</u>	<u>5,317</u>

	31 December 2015	30 June 2015
	\$'000	\$'000
Note 8 Cash and cash equivalents		
Cash at bank and on hand	2,043	4,562
	<u>2,043</u>	<u>4,562</u>

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Notes to the consolidated financial statements (continued)

	31 December 2015 \$'000	30 June 2015 \$'000
Note 9 Trade and other receivables		
Trade receivables	382	400
Less: Allowance for impairment	-	-
Net trade receivables	382	400
Other receivables	10	10
	392	410

	31 December 2015 \$'000	30 June 2015 \$'000
Note 10 Assets held for sale		
Investment properties held for sale	700	700
	700	700
Movements		
Carrying amount at the beginning of the year	700	-
Disposals	-	-
Transfer from investment property	-	700
Carrying amount at the end of the year	700	700

The Group have committed to sell the Liqourland English Street bottleshop in Manunda, Cairns. Accordingly this asset is classified as held for sale. Efforts to dispose of this asset have commenced and a sale is expected by June 2016.

Note 11 Investment property			
Investment property		580,800	564,190
Investment properties held for sale	10	(700)	(700)
		580,100	563,490
Movements			
Carrying amount at the beginning of the period		563,490	496,740
Transfer to assets held for sale	10	-	(700)
Capital additions on investment properties		270	881
Acquisitions		-	58,440
Disposals		-	(9,880)
Fair value adjustments		16,340	18,009
Carrying amount at the end of the period		580,100	563,490

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Notes to the consolidated financial statements (continued)

Note 11 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. Investment properties 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 to their respective tenants inclusive of any liquor and gaming licences attached to these properties under long-term operating leases with rentals payable monthly. The HPI Group has incurred no lease incentive costs to date.

Valuation of investment properties

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 valuation yield. Selection of an appropriate valuation yield is based on multiple criteria, including risk associated with achieving the net rent cash flows into the future, and observed market based valuation yields 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 costs between the lessor and the lessee and the remaining economic life of the property. Properties held for sale are valued at the fair value as at the previous reporting period.

Fair value adjustments at 31 December 2015

The HPI Group policy is to independently value at least one third of all properties each financial year. The remainder of properties are valued by directors of the Company. Where independent valuation yields have deteriorated, the directors will apply the average valuation yield expansion to the valuation yields of the remaining investment properties in determining directors' valuations. Where independent valuation yields have improved directors will maintain the existing external valuation 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 15 investment properties as at 31 December 2015. These valuations were completed by CBRE Hotels Valuation & Advisory Services and Urbis. Director's valuations were completed for the remaining properties.

	December 2015 Yields	June 2015 Yields
Hotel Investment Property Yield Range	6.75% - 8.37%	6.75% - 8.37%

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Notes to the consolidated financial statements (continued)

Note 11 Investment property (continued)

Fair value hierarchy

The fair value measurement for investment property of \$580.1 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

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

	31 December 2015 \$'000	30 June 2015 \$'000
Reconciliation of fair value gains/losses		
Fair value as at beginning of the period	563,490	496,740
Transfer to assets held for sale	-	(700)
Capital additions on investment properties	270	881
Acquisitions	-	58,440
Disposals	-	(9,880)
Carrying amount before revaluations	563,760	545,481
Fair value as at end of the period	580,100	563,490
Fair value gain/(loss) for the period	16,340	18,009

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
Half Year Report for the six months ended 31 December 2015
Notes to the consolidated financial statements (continued)

Note 11 Investment property (continued)

Property	Location	Date acquired	Capitalisation rate	Fair Value at 31 December 2015 \$'000	Fair Value at 30 June 2015 \$'000
Pubs and On-site Specialty Leases Owned as at 31 December 2015					
Barron River Hotel	Stratford QLD	Feb-01	8.00%	6,040	6,040
Beenleigh Tavern	Eagleby QLD	Oct-14	7.90%	10,230	10,030
Berserker Tavern	Rockhampton QLD	May-04	7.25%	8,700	8,320
Bonny View Tavern	Bald Hills QLD	Dec-06	7.50%	11,640	11,180
Boomerang Motor Hotel	West Mackay QLD	Sep-01	8.00%	8,240	8,240
Bribie Island Hotel	Bellara QLD	Aug-07	7.00%	14,500	13,890
Brighton Hotel	Brighton QLD	Jul-05	6.75%	10,800	10,230
Brighton Metro Hotel	Brighton SA	Jul-07	6.75%	13,400	13,400
Caboolture Sundowner Hotel Motel	Caboolture QLD	Sep-03	6.90%	10,300	9,590
Chancellors Tavern	Sippy Downs QLD	Aug-07	7.00%	11,510	11,510
Cleveland Sands Hotel	Cleveland QLD	Dec-06	7.10%	23,540	22,580
Cleveland Tavern	Cleveland QLD	Sep-03	7.20%	12,610	12,610
Club Hotel	Gladstone QLD	Jan-05	7.75%	6,300	5,950
Coomera Lodge Hotel	Oxenford QLD	Dec-06	7.00%	4,550	4,420
Crown Hotel	Lutwyche QLD	Nov-05	7.07%	31,450	29,100
Diamonds Tavern	Kallangur QLD	Mar-06	7.45%	8,340	8,340
Dunwoodys Tavern	Cairns QLD	Jan-97	7.25%	19,300	18,560
Everton Park Hotel	Everton Park QLD	Dec-06	6.75%	22,600	20,230
Ferry Rd Tavern	Southport QLD	Jul-06	7.30%	25,570	25,560
Fitzys Loganholme	Loganholme QLD	Jun-06	7.00%	19,190	19,190
Fitzys Waterford	Waterford QLD	Jun-06	7.50%	14,490	14,490
Grafton Hotel	Edmonton QLD	Jun-94	7.90%	6,210	6,210
Grand Junction Hotel	Pennington SA	Jul-07	7.00%	8,660	8,660
Hotel HQ	Underwood QLD	Sep-14	7.20%	19,290	18,900
Hotel Wickham	Fortitude Valley QLD	Jun-06	6.80%	10,300	9,600
Kings Beach Tavern	Caloundra QLD	Aug-07	7.00%	14,510	14,510
Kooyong Motor Hotel	North Mackay QLD	Mar-02	8.30%	6,750	6,750
Leichhardt Hotel	Rockhampton QLD	Nov-04	8.20%	7,720	7,720
Lord Stanley Hotel	East Brisbane QLD	Aug-07	7.10%	8,850	8,850

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Notes to the consolidated financial statements (continued)

Note 11 Investment property (continued)

Property	Location	Date acquired	Capitalisation rate	Fair Value at 31 December 2015 \$'000	Fair Value at 30 June 2015 \$'000
Magnums Tavern	Airlie Beach QLD	Jan-15	7.75%	18,660	18,000
Mi Hi Tavern	Brassal QLD	Dec-06	7.50%	14,880	14,280
New Inala Hotel	Inala QLD	Jun-05	7.00%	10,300	9,610
Palm Cove Tavern	Palm Cove QLD	Apr-04	7.25%	6,800	6,140
Payneham Tavern	Royston Park SA	Jul-07	7.00%	8,290	8,290
Royal Hotel Townsville	West End QLD	Sep-98	7.75%	5,380	5,380
Royal Mail Hotel	Tewantin QLD	Aug-07	7.25%	16,200	15,470
Q Sports Bar*	Cairns QLD	Jun-05	7.25%	7,500	7,250
The Hotel Allen	Northward QLD	May-00	8.37%	16,000	16,000
The Regatta	Toowong QLD	Nov-06	7.00%	33,970	33,970
The Wallaby Hotel	Mudgeeraba QLD	Jan-15	7.85%	9,970	9,800
Tom's Tavern	Aitkenvale QLD	Dec-03	7.50%	18,400	17,560
Trinity Beach Tavern	Trinity Beach QLD	Jun-05	7.25%	14,700	13,620
Waterloo Tavern	Paralowie SA	Jul-07	7.00%	16,570	16,570
Woodpecker Tavern	Burpengary QLD	Sep-03	7.50%	6,890	6,890
Total Pubs and On-site Speciality Leases			7.28%	580,100	563,490

* Q Sports Bar was previously known as "Sole on Sheridan"

	31 December 2015 \$'000	30 June 2015 \$'000
Note 12 Trade and other payables		
<i>Current</i>		
Trade payables	258	255
Due to related parties	-	-
Other payables	3,293	2,102
	<u>3,551</u>	<u>2,357</u>

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Notes to the consolidated financial statements (continued)

	31 December 2015 \$'000	30 June 2015 \$'000
Note 13 Loans and borrowings		
<i>Non-current</i>		
Bank loans	246,331	250,201
	<u>246,331</u>	<u>250,201</u>
Syndicated Facility Agreement ("SFA")		
SFA - drawdown	247,123	251,123
Borrowing costs capitalised	(926)	(1,144)
Amortisation of borrowing costs	134	222
	<u>246,331</u>	<u>250,201</u>

Repayment schedule

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

Note 14 Derivative financial instruments		
Derivative financial instruments - non current liability	3,153	3,046
	<u>3,153</u>	<u>3,046</u>
Derivative financial instruments at the beginning of the period	(3,046)	(3,162)
Fair value loss for the period:		
- Cancelled derivatives	-	(3,910)
- Open derivatives	(107)	(3,046)
Realised loss on cancelled derivatives	-	7,072
Fair value of derivative financial instruments at end of the period	<u>(3,153)</u>	<u>(3,046)</u>

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Notes to the consolidated financial statements (continued)

	31 December 2015 \$'000	30 June 2015 \$'000
Note 15 Provisions		
<i>Current</i>		
Provision for distribution	13,149	12,273
Provision for capital works	200	232
	13,349	12,505
	Distribution	Capital works
Balance at the beginning of the period	12,273	232
Provisions made during the period	13,149	-
Provisions used during the period	(12,273)	(32)
Balance at the end of the period	13,149	200

Distribution

The provision for distribution relates to distributions to be paid to stapled security holders on 4 March 2016. This distribution will be funded via drawdown on the existing loan facility.

Capital works

The provision for capital works relates to preliminary expenditure incurred on capital development works on projects that may not proceed, and other minor works.

	Note	No. of units	\$'000
Note 16 Contributed equity			
On issue at 1 July 2015 - fully paid		146,105,439	262,640
On issue at 31 December 2015 - fully paid		146,105,439	262,640
On issue at 1 July 2014 - fully paid		132,870,000	413,222
Issue of units for cash		13,235,439	29,382
Transfer from accumulated losses	17	-	(179,964)
On issue at 31 December 2014 - fully paid		146,105,439	262,640

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 security holder present at a meeting in person or by proxy, is entitled to one vote.

	Note	31 December 2015 \$'000	30 June 2015 \$'000
Note 17 Retained earnings / (accumulated losses)			
Balance at the beginning of the period		39,318	(152,266)
Profit for the period		30,203	35,435
Distribution to stapled security holders		-	(11,542)
Provision for distribution to stapled security holders		(13,149)	(12,273)
Transfer to contributed equity *	16	-	179,964
Balance at the end of the period		56,371	39,318

* Accumulated losses incurred prior to the public float were transferred to contributed equity.

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Notes to the consolidated financial statements (continued)

	31 December 2015	30 June 2015
Note 18 Net assets per stapled security		
Number of stapled securities on issue as at the end of the period	146,105,439	146,105,439
Net assets at balance date	\$318,462,385	\$301,958,130
Per stapled security on issue	\$2.18	\$2.07
	31 December 2015	31 December 2014
Note 19 Earnings per security		
Profit for the period	\$30,202,748	\$7,285,552
Weighted average number of securities	No. of securities	No. of securities
On issue at the beginning of the period	146,105,439	132,870,000
Effect of securities issued	-	5,193,103
	146,105,439	138,063,103
Basic and diluted earnings per security - cents	20.67	5.28
Note 20 Distributions		
	Total distribution \$'000	Distribution per stapled security cents
Distributions to stapled security holders		
31 December 2015		
1 July 2015 to 31 December 2015	13,149	9.00
31 December 2014		
1 July 2014 to 31 December 2014	11,542	7.90

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Notes to the consolidated financial statements (continued)

Note 21 Financial Instruments

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.

31 December 2015
\$'000

		Carrying amount				Fair value			
		Fair value hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value									
Trade and other receivables	9	-	392	-	392				
Cash and cash equivalents	8	-	2,043	-	2,043				
		-	2,435	-	2,435				
Financial liabilities measured at fair value									
Interest rate derivatives	14	(3,153)	-	-	(3,153)	-	(3,153)	-	(3,153)
		(3,153)	-	-	(3,153)				
Financial liabilities not measured at fair value									
Secured bank loans	13	-	-	(246,331)	(246,331)				
Trade and other payables	12	-	-	(3,551)	(3,551)				
		-	-	(249,881)	(249,881)				

30 June 2015
\$'000

		Carrying amount				Fair value			
		Fair value hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value									
Trade and other receivables	9	-	410	-	410				
Cash and cash equivalents	8	-	4,562	-	4,562				
		-	4,972	-	4,972				
Financial liabilities measured at fair value									
Interest rate derivatives	14	(3,046)	-	-	(3,046)	-	(3,046)	-	(3,046)
		(3,046)	-	-	(3,046)				
Financial liabilities not measured at fair value									
Secured bank loans	13	-	-	(250,201)	(250,201)				
Trade and other payables	12	-	-	(2,357)	(2,357)				
		-	-	(252,558)	(252,558)				

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
Notes to the consolidated financial statements (continued)

Note 22 Related parties

	Transaction values for the six months ended		Balance outstanding as at	
	31 December 2015	31 December 2014	31 December 2015	30 June 2015
	\$	\$	\$	\$
Responsible entity fee	111,889	110,000	18,648	37,296
Services Manager fee	775,035	816,337	-	-

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:

- 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
- 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 410,257 of stapled securities.

Services Manager fee

John Russell is a non-executive director of the Company during the period, and also a director of the Services Manager.

The Services Manager is being paid a monthly fee which averaged \$129,173 per month during the period for providing the primary administrative, operational and management services under the Administrative Services Agreement.

Note 23 Contingent assets

The HPI Group is not aware of any contingent assets at 31 December 2015 which may materially affect the operation of the business (2014: none).

Note 24 Contingent liabilities

The HPI Group is not aware of any contingent liabilities at 31 December 2015 which may materially affect the operation of the business (2014: none).

Note 25 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 26 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 \$20.0 million (2014: \$18.7 million) of the HPI Group's total revenues.

Note 27 Subsequent events

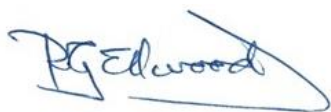
No item, transaction or event has occurred subsequent to 31 December 2015 that is likely in the opinion of the directors of the Responsible Entity to significantly affect the operations of the HPI Group, the results of those operations, or the state of affairs of the HPI Group in future financial periods.

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015
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 9 to 26, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the Hotel Property Investments Group financial position as at 31 December 2015 and of its performance for the six 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.

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

A handwritten signature in blue ink, appearing to read 'R Ellwood', with a long horizontal stroke extending to the right.

Rodney Ellwood

Director

Sydney

Dated this 25th day of February 2016



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

We have reviewed the accompanying half year financial report of Hotel Property Investments (the Group), which comprises the consolidated statement of financial position as at 31 December 2015, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes 1 to 27 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 half year's end or from time to time during the half year.

Directors' responsibility for the half year 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 half year 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 half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Hotel Property Investments, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Hotel Property Investments is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'Dean Waters', with a stylized flourish at the end.

Dean Waters
Partner

Melbourne

24 February 2016

Hotel Property Investments
Half Year Report for the six months ended 31 December 2015

Corporate Directory

Hotel Property Investments

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Auditor

KPMG
147 Collins Street
Melbourne VIC 3000 Australia

Responsible Entity

The Trust Company (RE Services) Limited
Level 12, 123 Pitt Street
Sydney NSW 2000
Telephone: 02 8295 8100

Company Secretary

Hotel Property Investments Limited
David Charles
Philip Thomas (resigned 16 December 2015)
Jenny Romeo (appointed 16 December 2015)

The Trust Company (RE Services) Limited
Glenda Susan Charles
Sylvie Dimarco
Joanne Hawkins