



Key Messages

As at 31 December 2015

- 1. Statutory Profit \$30.2 million (2014: \$7.3 million), Distributable Earnings of \$13.6 million and AFFO of \$13.3 million (2014: 11.6 million)
- 2. Interim Distribution ↑ 14% to 9.0 cents (2014: 7.9 cents)
- 3. Full year Distribution guidance of 18.2 cents (2015: 16.3 cents)
- 4. Property portfolio valued at \$580.1 million including a fair value gain of \$16.3m (2014: \$2.1 million)
- 5. Cap rates tightened by an average 41 points for 15 properties independently valued at 31 December





Key Metrics

As at 31 December 2015

Key Metrics	31-Dec-15	<u>30-Jun-15</u>
Investment Property (incl Asset held for sale)	\$580.8 m	\$564.2 m
Loans Drawn	\$247.1 m	\$251.1 m
Cash On Hand	\$2.0 m	\$4.6 m
Gearing	42.1%	43.6%
Average Cap Rate	7.28%	7.42%
WALE (years)	7.4	7.9
Occupancy	100%	100%
Net Assets per security	\$2.18	\$2.07



 $^{^{\,\,1}}$ Each property's cap rate reflects its most recent independent valuation



Capital Management

As at 31 December 2015

CAPITAL MANAGEMENT	31-Dec-15	30-Jun-15
Drawn Debt	\$247.1 m	\$251.1 m
Net Debt (Drawn Debt less Cash)	\$245.1 m	\$246.6 m
Loan Facility Limit	\$270.0 m	\$270.0 m
Weighted Average Debt Term to Maturity	3.0 yrs	3.5 yrs
Gearing ¹	42.1%	43.6%
% Hedging of Drawn Debt	51%	46%
Gearing Policy	40% - 50%	40% - 50%
Hedging Policy	approx 50%	approx 50%

- Low risk capital structure with gearing decreasing and potentially falling further
- Potential to further optimise debt financing arrangements by moving to unsecured, with greater diversification and an extended term to maturity
- Reduced gearing provides further balance sheet flexibility to debt fund acquisitions or consider capital management options





Outlook and strategic agenda

- 1. Continuing strong performance of HPI properties in the Qld gaming rankings, underpinning HPI's average 3.9% annual rental increases and strong growth in distributions
- 2. Continue to review debt financing arrangements to achieve optimal cost, tenor, structure and flexibility
- 3. Active portfolio management to maximise value for securityholders, including continuing to evaluate acquisition, divestment and development opportunities
- 4. AFSL application positions HPI to consider internalising management and bringing the Responsible Entity function inside the fund





Investment Proposition

- Owner of large scale gaming venues leased to Coles & ALH
- Premium hotel assets whose underlying value grows with gaming
- Secure income underpinned by long term leases
- Expected distribution yield circa 7% with growth underpinned by contracted rental increases averaging 3.9% p.a
- Investment property portfolio value growing as cap rates tighten and rentals grow
- Additional value associated with land value, development potential and strategic value of liquor and gaming licences
- Tenant's business is a contingent asset which reverts to the landlord at the end of the lease
- Low risk capital structure with balance sheet flexibility
- Active portfolio management to drive further security holder value
- Attractive risk-return profile for a Wesfarmers bond-like security (A- rating)
- Experienced Board and management







Appendix 1 – Financials





Net Profit for the 6 mths ended 31 December 2015

Consolidated Income Statement

P&L in \$ millions	31-Dec-15	31-Dec-14
Income		
Net rental income (excl. straight line lease adj)	21.8	19.7
Operating expenses		
Non-recoverable property expenses	-1.3	-1.2
Management fees	-0.8	-0.8
Trust expenses	-1.0	-0.7
Total expenses	-3.2	-2.7
Operating profit	18.6	17.0
P&L on Disposal of Assets	0.0	0.0
Fair value adj and realised loss on hedging ¹	0.4	-6.6
Fair value gain on investment property	16.3	2.1
EBIT	35.4	12.6
Net interest expense	-5.2	-5.3
Net profit before tax	30.2	7.3
Tax	0.0	0.0
Net Profit after tax	30.2	7.3

¹ Hedge accounting was adopted on 1 July 2015. The Mark to Market valuation of hedging instruments at that date is being amortised over the remaining term of the instruments.





Distributions for the 6 mths ended 31 Dec 2015

Consolidated Distribution Statements

	6 mths	6 mths
	ended 31	ended 31
DISTRIBUTIONS in \$ millions	<u>Dec 15</u>	<u>Dec 14</u>
Statutory NPAT for the period	30.2	7.3
Amortisation adjustment	0.1	0.1
Fair Value adjustments	-16.8	4.4
Distributable earnings	13.6	11.9
Maintenance capex	-0.3	-0.3
AFFO (Adj Funds From Ops)	13.3	11.6
Stapled Securities at end of period	146.1	146.1
AFFO per stapled security (cents)	9.1	7.9
Distribution declared per stapled security (cents) ¹	9.0	7.9



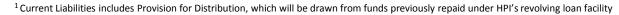
 $^{^{1}\,\}mathrm{HPI}$ intends to pay 100% of AFFO as distributions for FY16



Balance sheet at 31 December 2015

Consolidated Balance Sheet

BALANCE SHEET in \$ millions	<u>Dec-15</u>	<u>Jun-15</u>
Current Assets		
Cash	2.0	4.6
Other current assets	1.8	1.1
Total Current Assets	3.9	5.7
Non Current Assets		
Investment property / Property held for sale	580.8	564.2
Other non current assets	0.2	0.2
Total Non Current Assets	581.0	564.4
Total Assets	584.8	570.1
Liabilities		
Current Liabilities		
Payables, Accruals, Other current liabilities ¹	16.9	14.9
Non Current Liabilities		
Borrowings ²	246.3	250.2
Other non current liabilities	3.2	3.0
Total Liabilities	266.4	268.1
Net Assets	318.5	302.0



² Borrowings shown on balance sheet are drawn borrowings less \$0.79 million (Jun-15: \$0.91 million) of capitalised debt establishment fees

Minor addition differences are due to rounding to \$M's



