Hotel Property Investments (HPI)
Half-Year Report
For The Six Months Ended 31 December 2013

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

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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 half-year ended 31 December 2013.

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.

Directors

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 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 will be 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 provisions of additional services by the Services Manager must be agreed with the HPI Group.

The following persons were directors of the Responsible Entity or directors of the Company during or since the end of the six months ended 31 December 2013. Unless otherwise stated the directors have held their position for the whole of this period:

Directors of the Responsible Entity

David Grbin	
Andrew Cannane	
John Atkin	(resigned 18 December 2013)
Rupert Smoker	(resigned as alternative director 18 December 2013) (appointed as director 18 December 2013)

Directors of the Company

Michael Tilley	(appointed 19 November 2013)
Raymond Gunston	(appointed 19 November 2013)
Lachlan Edwards	(appointed 19 November 2013)
John Russell	
Trevor O'Hoy	
David Charles	(resigned 19 November 2013)

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 half-year.

Significant changes in state of affairs

During the six months ended 31 December 2013 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 a deferred settlement basis 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.

Matters subsequent to the end of the financial half-year

The HPI Group has a policy of hedging not less than 50% of its interest rate exposure, and it is a requirement under the HPI Group's loan facility agreements that it hedge at least 50% over the term of the facility. On 25 February 2014 the HPI Group completed hedging of 50% of its interest rate exposure for the period to 30 June 2015, at a cost of approximately $0.2 million. The HPI Group's bankers have agreed that hedging for the remaining loan period ending in December 2018 be arranged by 30 June 2014, and it is the HPI Group's intention that suitable hedging will be in place prior to that date.

No other item, transaction or event has occurred subsequent to 31 December 2013 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.

Distributions and dividends

During the half-year ended 31 December 2013 the Trust paid distributions to unitholders of $12.9m (2012: $13.9m). This distribution related to the period prior to the public float on 9 December 2013. No further distribution was declared for the half-year ended 31 December 2013.

Review and results of operations

As noted in Significant Changes in State of Affairs the HPI Group was significantly restructured in December 2013 with certain assets and liabilities assigned or novated out. Accordingly, the financial statements of the HPI Group for the six months ended 31 December 2013 include income and expenditure related to assets no longer within the HPI Group as at 31 December 2013, and financing costs relating to bank loan agreements that were significantly restructured on 9 December 2013.

Notwithstanding the significant changes in the state of affairs of the HPI Group in December 2013, throughout the period the HPI Group continued to conduct its usual business as a freehold pub owner and lessor, predominantly leasing pub assets to the Coles Group and to Redcape Hotel Group Pty Limited, previously a related body corporate. During the period all rents due were collected in accordance with leases and all financing payments were made in accordance with bank loan agreements.

Profit before tax for the six months ended 31 December 2013 was $38.5m (2012: $22.1m). The portfolio value at 31 December 2013 was $481.5m (30 June 2013: $752.7m).

Likely developments

By 30 June 2014 HPI will have completed its minimum hedging requirements for the period 1 July 2015 to 9 December 2018.

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 5 and forms part of the Directors' Report for the half-year ended 31 December 2013.

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.

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.

David Grbin

Director

Sydney

Dated this 26th day of February 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 review for the half-year ended 31 December 2013, 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

Darren Scammell
Partner

Melbourne

26 February 2014

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Hotel Property Investments

Half-Year Report for the six months ended 31 December 2013

Consolidated statement of profit or loss and other comprehensive income

	Note	31 December 2013 $'000	31 December 2012 $'000
REVENUE			
Rent from investment properties		31,815	32,998
Revenue from investment properties - straight-line lease adjustment		614	874
Revenue from outgoings recovered		3,284	3,158
Interest from cash deposits		86	210
Fair value adjustment to investment properties	9	39,831	8,916
Impact of straight-line lease adjustment on fair value of investment properties		(614)	(874)
Sundry income		702	9
Total revenue from operating activities		75,718	45,291
OPERATING EXPENSES			
Investment property outgoings and expenses		5,067	6,299
Loss/(gain) on sale of investment properties		544	(269)
Other expenses	4	13,816	2,414
Total expenses from operating activities		19,427	8,444
Profit from operating activities		56,291	36,847
Non operating income / (expenses)			
Change in fair value of derivative financial instruments	11	453	337
Finance costs	5	(18,224)	(15,126)
Total non operating income / (expenses)		(17,771)	(14,789)
Profit before tax		38,520	22,058
Tax benefit / (expense)		-	-
Profit for the period		38,520	22,058
Other comprehensive income		-	-
Total comprehensive income		38,520	22,058
Profit / total comprehensive income attributable to:			
Unitholders of the Trust (parent entity)		38,563	22,058
Shareholders of the Company (non-controlling interest)		(43)	-
		38,520	22,058
Basic and diluted earnings per stapled security (cents)		28.99	0.24

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 assets included in the HPI Group float and an additional 28 assets only up until their novation to another entity on 9 December 2013 as part of the HPI Group float.

Basic and diluted earnings per stapled security on issue have increased primarily due to the consolidation of units on issue, as disclosed in Note 12.

Consolidated statement of financial position

	Note	31 December 2013 $'000	30 June 2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	3,136	15,745
Trade and other receivables	7	558	31,592
Other current assets		1,932	1,909
Assets held for sale	8	-	4,000
Total current assets		5,626	53,246
Non-current assets			
Investment property	9	481,515	752,713
Other non-current assets		191	145
Total non-current assets		481,706	752,858
TOTAL ASSETS		487,332	806,104
LIABILITIES			
Current liabilities			
Trade and other payables		3,411	4,506
Loans and borrowings	10	-	3,427
Total current liabilities		3,411	7,933
Non-current liabilities			
Loans and borrowings	10	231,070	409,106
Derivative financial instruments	11	-	976
Total non-current liabilities		231,070	410,082
TOTAL LIABILITIES		234,481	418,015
NET ASSETS		252,851	388,089
EQUITY			
Contributed equity	12	413,732	691,513
Accumulated losses	13	(160,838)	(303,486)
Reserves	14	-	62
Equity attributable to parent		252,894	388,089
Non-controlling interest		(43)	-
TOTAL EQUITY		252,851	388,089

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

Consolidated statement of changes in equity

	Note	Attributable to the Trust				
		Contributed Equity $'000	**Accumulated Losses $'000**	**Reserves $'000**	**Non-controlling Interest $'000**	**Total Equity $'000**
Balance at 1 July 2013		691,513	(303,486)	62	-	388,089
Total comprehensive income for the period						
Profit for the period		-	38,563	-	(43)	38,520
Total other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	38,563	-	(43)	38,520
Transactions with owners in their capacity as owners recognised directly in equity						
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	2	(277,781)	116,924	-	-	(160,857)
Balance at 31 December 2013		413,732	(160,838)	-	(43)	252,851
Balance at 1 July 2012		691,513	(328,859)	62	-	362,716
Total comprehensive income for the period						
Profit for the period		-	22,058	-	-	22,058
Total other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	22,058	-	-	22,058
Transactions with owners in their capacity as owners recognised directly in equity						
Movement		-	-	-	-	-
Balance at 31 December 2012		691,513	(306,801)	62	-	384,774

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

Consolidated statement of cash flows

	Note	31 December 2013 $'000	31 December 2012 $'000
Cash flows from operating activities			
Rent and outgoings from investment properties (GST inclusive)		39,723	38,019
Payments to suppliers		(16,921)	(15,709)
Interest receipts - bank deposits		86	210
Interest paid		(10,234)	(10,542)
Net cash from operating activities		12,654	11,978
Cash flows from investing activities			
Proceeds from disposal of investment properties		3,590	4,100
Payment for investment properties		(6,659)	-
Payment for additions to investment property		(1,855)	(785)
Net cash from investing activities		(4,924)	3,315
Cash flows from financing activities			
Proceeds from borrowings		5,000	-
Repayments of borrowings		(7,125)	-
Proceeds as a result of refinancing		14,686	-
Payment of distribution		(12,901)	(13,881)
Payments on behalf of related parties		(8,943)	(9,239)
Receipts from related parties		3,000	-
Payments as a result of restructuring and public float		(8,923)	-
Payment of cash on novation		(5,133)	-
Net cash from financing activities		(20,339)	(23,120)
Net increase/(decrease) in cash held		(12,609)	(7,827)
Cash and cash equivalents at the beginning of the period		15,745	14,695
Cash and cash equivalents at the end of the period	6	3,136	6,868

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

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

Note 1 Summary of significant accounting policies

(a) Reporting entity

The consolidated financial report of Hotel Property Investments as at and for the six months ended 31 December 2013 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”).

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 reporting entity. Prior to this occurring the Trust was regarded as a non-reporting entity.

The comparative six month 31 December 2012 balances in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows and related notes to the financial statements of the HPI Group were unaudited and were not subject to review. The comparative 30 June 2013 balances in the consolidated statement of financial position and related notes were audited.

(b) Basis of preparation

The consolidated financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting and* the *Corporations Act 2001* and with *IAS 34 Interim Financial Reports* . 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 Trust as at and for the year ended 30 June 2013, 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* .

The consolidated financial report as at and for the six months ended 31 December 2013 was approved by the directors of the Responsible Entity on 26th February 2014.

(c) Rounding of amounts

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) Basis of consolidation

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 2. 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.

(e) Significant accounting policies

The accounting policies applied in this consolidated financial report are the same as those applied by the Trust in its consolidated financial report as at and for the year ended 30 June 2013 with the exception of the following new accounting policies which have been applied during the period as a result of the stapling of the units of the Trust and shares of the Company, and novation and assignment of assets and liabilities not intended for sale in the public float:

(i) Tax
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%.

(ii) Financial instruments

Issued shares in the Company are classified as equity.

(iii) Common control novation of assets and liabilities

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

Note 2 Novation of assets and liabilities to an entity under common control

Background to the novation of asset and liabilities

During the six months ended 31 December 2013 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 Investment Manager. 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	5,166
Trade and other receivables	41,575
Prepayments	583
Investment property	319,544
Trade and other payables	(5,083)
Loans and borrowings	(200,405)
Derivative financial instruments	(523)
Total net assets novated	160,857

Note 3 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 31 December 2013, the Company and its controlled entity contributed no revenue and incurred expenses of $42,932 resulting in a loss of $42,932. If the stapling had occurred on 1 July 2013, management estimates that revenue would have been zero and expenses would have been $188,386 resulting in a loss of $188,386.

	Note	31 December 2013 $'000	31 December 2012 $'000
Note 4 Other expenses			
Advisory and legal fees		11,518	807
Management fees		970	1,156
All other expenses		1,328	451
		13,816	2,414

The HPI Group incurred $11.4m (2012: $Nil) of advisory and legal fees directly related to its listing on 10 December 2013. The expense is one-off in nature.

	Note	31 December 2013 $'000	31 December 2012 $'000
Note 5 Finance costs			
Syndicated Facility Agreement ("SFA")			
- interest expense	(i)	10,632	15,090
- amortised borrowing costs and write off of deferred borrowing costs	(ii)	7,480	36
- other finance costs		112	-
		18,224	15,126

(i) 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) Costs of establishing the SFA were capitalised and are being amortised over the term of the facilities.

	Note	31 December 2013 $'000	30 June 2013 $'000
Note 6 Cash and cash equivalents			
Cash at bank and on hand		3,136	15,745
		3,136	15,745
Note 7 Trade and other receivables			
Trade receivables		577	962
Less: Allowance for impairment		(19)	(62)
Net trade receivables		558	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
		558	31,592
Note 8 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	9	-	4,000
Carrying amount at the end of the year		-	4,000

	Note	31 December 2013 $'000	30 June 2013 $'000
Note 9 Investment property			
Investment property		481,515	756,713
Properties held for sale	8	-	(4,000)
		481,515	752,713
Movements			
Carrying amount at the beginning of the period		752,713	740,257
Transfer to non-current assets held for sale	8	-	(4,000)
Capital additions on investment properties		1,855	5,728
Acquisitions		6,660	11,884
Disposals		-	(18,160)
Fair value adjustments		39,831	13,470
Proceeds receivable from insurance claims		-	3,534
Novation of assets to an entity under common control		(319,544)	-
Carrying amount at the end of the period		481,515	752,713

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.

Valuation of investment properties

The valuations of individual properties are prepared inclusive of liquor and gaming licences. 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 31 December 2013

The HPI Group policy is to independently value at least one third of all Coles Group tenanted 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 are to be valued by directors' valuations. Where external valuation yields have deteriorated, the directors will apply the average yield expansion to the yields of the remaining investment properties, and use the present net rent value in determining directors' valuations. Where external valuation yields have improved, directors will hold 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.

Independent valuations typically remain current for 3 months from their valuation date for mortgagee purposes. At 31 December 2013 HPI Group Directors considered the independent valuations dated 1 October 2013 and after consideration determined that market conditions are substantially the same as at that date, and have determined that those 1 October 2013 valuations be adopted at 31 December 2013.

	December 2013 Yields	June 2013 Yields
Coles Group	6.75% - 8.20%	6.75% - 8.75%
Redcape Hotel Group Pty Ltd	-	7.54% - 22.18%
Other	-	8.25% - 9.00%

Note 9 Investment property (continued)

Property	Location	Date acquired	Fair Value at 31 December 2013 $'000	Capitalisation rate
Pubs and On-site Specialty Leases				
Barron River Hotel	Stratford QLD	Feb-01	5,600	8.00%
Berserker Tavern	Rockhampton QLD	May-04	7,750	7.50%
Bonny View Tavern	Bald Hills QLD	Dec-06	10,900	7.50%
Boomerang Motor Hotel	West Mackay QLD	Sep-01	7,500	8.00%
Bribie Island Hotel	Bellara QLD	Aug-07	12,800	7.30%
Brighton Hotel	Brighton QLD	Jul-05	9,400	7.25%
Brighton Metro Hotel	Brighton SA	Jul-07	12,100	6.75%
Caboolture Sundowner Hotel Motel	Caboolture QLD	Sep-03	8,800	7.40%
Chancellors Tavern	Sippy Downs QLD	Aug-07	10,600	7.00%
Cleveland Sands Hotel	Cleveland QLD	Dec-06	20,700	7.10%
Cleveland Tavern	Cleveland QLD	Sep-03	11,700	7.20%
Club Hotel	Gladstone QLD	Jan-05	5,700	8.10%
Coomera Lodge Hotel	Oxenford QLD	Dec-06	3,975	7.00%
Crown Hotel	Lutwyche QLD	Nov-05	27,100	7.70%
Diamonds Tavern	Kallangur QLD	Mar-06	7,800	7.44%
Dunwoodys Tavern	Cairns QLD	Jan-97	17,100	7.50%
Everton Park Hotel	Everton Park QLD	Dec-06	19,500	7.25%
Ferry Rd Tavern	Southport QLD	Jul-06	22,100	7.53%
Fitzys Loganholme	Loganholme QLD	Jun-06	17,900	7.00%
Fitzys Waterford	Waterford QLD	Jun-06	13,500	7.50%
Grafton Hotel	Edmonton QLD	Jun-94	5,650	8.00%
Grand Junction Hotel	Pennington SA	Jul-07	8,000	7.00%
Hotel Wickham	Fortitude Valley QLD	Jun-06	8,400	7.30%
Kings Beach Tavern	Caloundra QLD	Aug-07	13,200	7.00%
Kooyong Motor Hotel	North Mackay QLD	Mar-02	6,000	8.30%
Leichhardt Hotel	Rockhampton QLD	Nov-04	7,100	8.20%
Lord Stanley Hotel	East Brisbane QLD	Aug-07	8,100	7.10%
Mi Hi Tavern	Brassal QLD	Dec-06	13,800	7.50%
New Inala Hotel	Inala QLD	Jun-05	8,800	7.50%
Palm Cove Tavern	Palm Cove QLD	Apr-04	5,600	8.00%
Payneham Tavern	Royston Park SA	Jul-07	7,600	7.00%
Royal Hotel Townsville	West End QLD	Sep-98	4,800	8.00%
Royal Mail Hotel	Tewantin QLD	Aug-07	14,800	7.50%
Sole on Sheridan	Cairns QLD	Jun-05	6,800	7.50%
The Hotel Allen	Northward QLD	May-00	15,900	7.75%
The Regatta	Toowong QLD	Nov-06	34,000	7.00%
Tom's Tavern	Aitkenvale QLD	Dec-03	16,200	7.68%
Trinity Beach Tavern	Trinity Beach QLD	Jun-05	12,500	7.75%
Waterloo Tavern	Paralowie SA	Jul-07	15,300	7.00%
Western Tavern	West Gambier SA	Jul-07	5,900	8.00%
Woodpecker Tavern	Burpengary QLD	Sep-03	6,300	7.50%
Total Pubs and On-site Speciality Leases			477,275	7.36%

Note 9 Investment property (continued)

Property	Location	Date acquired	Fair Value at 31 December 2013 $'000	Capitalisation rate
Detached bottle shops				
Bella Vista	Brinsmead QLD	Aug-99	450	7.00%
Bundock St	Belgian Gardens QLD	May-04	670	7.00%
Centenary	Centenary Heights QLD	Sep-99	440	7.00%
Edge Hill	Edge Hill QLD	Sep-98	665	7.00%
English St	Manuda QLD	Oct-99	670	7.00%
Kewarra	Kewarra Beach QLD	Sep-05	670	7.00%
Railway Estate	Railway Estate QLD	Nov-04	675	7.00%
Total detached bottle shops			4,240	7.00%
Total investment property			481,515	7.36%

Note 10 Loans and borrowings

	31 December 2013 $'000	30 June 2013 $'000
Current		
Bank loans	-	3,427
	-	3,427
Non-current		
Bank loans	231,070	409,106
	231,070	409,106
Total bank loans	231,070	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	232,123	-
Borrowing costs capitalised	(1,066)	-
Amortisation of borrowing costs	13	-
	231,070	-

	31 December 2013 $'000	30 June 2013 $'000
Note 11 Derivative financial instruments		
Derivative financial instruments - non current liability	-	976
	-	976
Movements		
Interest rate collar at the beginning of the period	(976)	(874)
Fair value gain/(loss) for the period	453	(102)
Novation of assets and liabilities to an entity under common control	523	-
Fair value of interest rate collar at end of the period	-	(976)
Total fair value gain / (loss) for the year	453	(102)

	No of units	$'000
Note 12 Contributed equity		
On issue at 1 July 2013	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	-	(277,781)
On issue at 31 December 2013	132,870,000	413,732
On issue at 1 July 2012	9,042,761,481	691,513
Movements	-	-
On issue at 31 December 2012	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.

	31 December 2013 $'000	30 June 2013 $'000
Note 13 Accumulated losses		
Balance at the beginning of the period	(303,486)	(328,859)
Profit for the period	38,563	39,255
Transfer from capital reserve	62	-
Distributions to unitholders of the Trust before stapling	(12,901)	(13,882)
Novation of assets and liabilities to an entity under common control	116,924	-
Balance at the end of the period	(160,838)	(303,486)

	31 December 2013 $'000	30 June 2013 $'000
Note 14 Reserves		
Capital reserve	-	62
Movements		
Opening balance at the beginning of the period	62	62
Transfer to accumulated losses	(62)	-
Closing balance at the end of the period	-	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.

	31 December 2013 $'000	30 June 2013 $'000
Note 15 Net assets per stapled security		
Net assets at balance date	252,851	388,089
Per stapled security on issue	$1.90	$0.04

Net assets per stapled security on issue have increased primarily due to the consolidation of units on issue, as disclosed in Note 12.

Note 16 Related party disclosures

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 2. The total amount still due and payable is $6.7m.

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.

Note 17 Contingent assets

The HPI Group is not aware of any contingent assets at 31 December 2013 which may materially affect the operation of the business.

Note 18 Contingent liabilities

The HPI Group is not aware of any contingent liabilities at 31 December 2013 which may materially affect the operation of the business.

Note 19 Commitments

The HPI Group has a memorandum of understanding with one of its tenants Coles Group, to perform various capital maintenance works by 30 June 2014. Additionally the HPI Group has agreed to capital development of certain Coles Group liquor sites.

Note 20 Segment information

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

Note 21 Subsequent events

The HPI Group has a policy of hedging not less than 50% of its interest rate exposure, and it is a requirement under the HPI Group's loan facility agreements that it hedge at least 50% over the term of the facility. On 25 February 2014 the HPI Group completed hedging of 50% of its interest rate exposure for the period to 30 June 2015, at a cost of approximately $0.2 million. The HPI Group's bankers have agreed that hedging for the remaining loan period ending in December 2018 be arranged by 30 June 2014, and it is the HPI Group's intention that suitable hedging will be in place prior to that date.

No other item, transaction or event has occurred subsequent to 31 December 2013 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.

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 6 to 17, 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 31 December 2013 and of its performance for the six months ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* ; and

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.

David Grbin

Director

Sydney

Dated this 26th day of February 2014

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

Report on the consolidated financial report

We have reviewed the accompanying half-year financial report of Hotel Property Investments, which comprises the consolidated statement financial position as at 31 December 2013, 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 21 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the 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 Hotel Property Investments 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 2013 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.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

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 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*.

Other Matter - Comparative Information

The comparative six month 31 December 2012 balances in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows and related notes to the financial statements of Hotel Property Investments were unaudited and were not subject to review. The comparative 30 June 2013 balances in the consolidated statement of financial position and related notes were audited.

KPMG

KPMG

Darren Scammell
Partner

Melbourne

26 February 2014