

**Appendix 4D
Half Year Report
Six Months Ended 31 December 2016**

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)

Half yearly	Preliminary final	Reporting Period
✓		1 July 2016 to 31 December 2016 (previous corresponding period 1 July 2015 to 31 December 2015)

Results for announcement to the market

	Six Months Ended	Six Months Ended	Variance %
	31 December 2016	31 December 2015	
	A\$'000	A\$'000	
Rent revenue from investment properties	22,289	21,796	2.26%
Total income from operating activities	82,594	40,885	102.01%
Profit / (loss) for the period from operating activities after tax attributable to stapled security Holders	77,372	35,445	118.29%
Profit / (loss) for the period attributable to stapled security holders	71,205	30,203	135.76%
Interim trust distribution amount per stapled security (cents)	22.2	9.0	146.67%
Interim dividend amount per stapled security (cents)	0.0	0.0	0.00%
Record date for determining entitlements to trust distribution	31 December 2016	31 December 2015	
Payment date for trust distribution	6 March 2017	4 March 2016	

Explanation of Results

- Rent revenue increased by 2.26% due to:
 - annual rent increases averaging 3.59% across the portfolio, partially offset by rent attributed to an asset divested during the period
- Total income increased by 102.01% primarily due to the rental increase, a fair value adjustment of investment property during the period of \$56 million (2015: \$16.3 million) and a gain on disposal of an asset of \$1.5 million (2015: nil).
- Total profit attributable to stapled security holders increased by 135.76% due to:
 - increases in rent revenue and fair value adjustments, and the gain on disposal of an asset during the period
 - minor savings in operating costs following internalisation of the management in July 2016
- The interim trust distribution increased by 146.67% due to a 0.7 cents per stapled security increase in Adjusted Funds From Operations and the declaration of a 12.5 cents capital distribution per stapled security

Other Details

	31 December 2016	31 December 2015	Variance %
Net Tangible Assets per security	\$2.56	\$2.18	17.30%
Total distribution payable for half year (A\$'000)	32,422	13,149	146.57%

- The Group established an employee share trust and an associated corporate trustee entity during the period, with control over each occurring on the date of establishment. The contribution of these entities to the reporting entity's profit is not material.
- 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 2016

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 2016

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Hotel Property Investments

Half Year Report for the six months ended 31 December 2016

Directors' report

The directors of Hotel Property Investments Limited (the "Responsible Entity") for the Hotel Property Investments Trust ("the Trust"), present the consolidated financial report of Hotel Property Investments Trust, Hotel Property Investments Limited ("the Company") and their controlled entities (together "the HPI Group") for the half year ended 31 December 2016.

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 Suite 2, Level 17, IBM Centre, 60 City Road, Southbank, Victoria, 3006.

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

On 1 July 2016, upon the retirement of the Trust Company (RE Services), HPI Limited became the Responsible Entity for the Trust.

The members of the Board of Directors of the Company in office during the half year ended 31 December 2016 were:

Michael Tilley
Raymond Gunston
Lachlan Edwards
John Russell
David Charles (appointed 1 July 2016)

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

On 1 July 2016 the HPI Group internalised its management and became the Responsible Entity for the Hotel Property Investments Trust, and all the staff previously providing third party services became employees of the HPI Group.

During the half year the HPI Group refinanced its loan facilities, replacing the previous syndicated facility agreement with a common terms deed and bilateral facility agreements with the Commonwealth Bank of Australia and Westpac Banking Corporation. The refinancing increased the average loan term to expiry to 4.2 years at 31 December 2016, and includes an average interest rate margin of 1.7%. The aggregate limit of the facilities is \$285 million, with \$243.3 million drawn at 31 December 2016.

In conjunction with the loan refinancing, the Board commissioned independent valuations for the entire property portfolio, which has resulted in a total valuation of \$644.8 million, an increase of \$56.5 million, or 9.6%, over the June 2016 investment property valuation. The increase arises substantially as a result of a reduction in the weighted average capitalisation rate from 7.3% to 6.5%.

During the half year total assets increased by \$53.3 million, total liabilities increased by \$13.3 million and net assets increased by \$40.0 million. Net assets per security increased from \$2.28 to \$2.56.

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

4. Distributions and dividends

HPI Group has declared a distribution of 22.2 cents per stapled security for the half year ended 31 December 2016. The distribution is comprised of 9.7 cents per stapled security from trading operations for the half year ending 31 December 2016 and a capital distribution of 12.5 cents per stapled security.

The HPI Group has made a provision for an interim distribution of \$32.4 million.

Hotel Property Investments

Half Year Report for the six months ended 31 December 2016

Directors' report (continued)

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

No item, transaction or event has occurred subsequent to 31 December 2016 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 2016 was \$71.2 million. Operating revenues and expenses included rental income from investment properties of \$22.3 million, property cost recoveries of \$2.3 million, gain on sale of \$1.5 million, operating costs of \$5.2 million and financing costs of \$5.5 million. Additionally, there was a fair value gain on investment property of \$56.0 million, and a realised loss on cancellation of hedging of \$0.7 million. Adjusting profit after tax for fair value adjustments, the hedging loss, amortisation of derivatives and other minor items the distributable earnings of the HPI Group was \$14.7 million. Adjusting further for maintenance capex of \$0.50 million the Adjusted Funds from Operations (AFFO) was \$14.2 million.

Financial position

At 31 December 2016 the HPI Group's net assets were \$373.4 million representing net assets per stapled security of \$2.56 (June 2016: \$2.28). Major assets and liabilities included cash on hand of \$6.3 million, investment property of \$644.8 million, receivables and other current assets of \$1.7 million, bank loans of \$243.3 million and a provision was created for payment of distributions of \$32.4 million. During the period investment property values increased by \$56.4 million resulting mainly from fair value gains of \$56.0 million, whilst loans have decreased by \$3.3 million.

At 31 December 2016 the HPI Group's loan facility of \$285 million was drawn to \$243.3 million, and interest rate swaps are in place for an aggregate \$62.5 million expiring on 10 December 2018. The HPI Group will continue to monitor debt and interest rate markets with the goal of prudently managing its ongoing interest rate and refinancing risk, including identifying and examining all potential financing sources and looking to further 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 2016. Details of the HPI Group's risk profile are outlined in the Directors' report for the year ended 30 June 2016.

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 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.

The HPI Group is committed to proactive capital management, and the capital distribution of 12.5 cents per stapled security announced in December 2016 is made in order to move gearing within the Group's target range of 40 to 50%.

Hotel Property Investments
Half Year Report for the six months ended 31 December 2016
Directors' report (continued)

Distributions

At 31 December 2016 the HPI Group made a provision of \$32.4 million for its interim distribution of 22.2 cents per stapled security, comprised of 9.7 cents from trading operations for the half year and a capital distribution of 12.5 cents.

In addition to the capital distribution provisioned, for the full year the HPI Group intends to distribute 100% of its full year 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 2016
	\$'000
Profit after income tax for the period	71,205
Plus/(Less): Adjustments for non-cash items	
Fair value (increments)/decrements to investment properties	(56,005)
Fair value (increments)/decrements to derivatives	(384)
Loss/(gain) on sale of investment properties	(1,530)
Realised loss on derivative financial instruments	702
Finance costs - non-cash	681
Income tax expense	5
Total adjustments for non-cash items	(56,531)
Distributable earnings	14,674
Less maintenance capital expenditure	(460)
Adjusted funds from operations	14,214
Interim Distribution from trading operations provided for	14,166
	Cents
Earnings and distribution per stapled security:	
Basic and diluted earnings	48.7
Earnings available for distribution per security	9.7
Interim distribution per security	9.7

The HPI Group's intention is to pay 100% of the full year AFFO as distributions.

7. Likely developments

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 7 and forms part of the Directors' Report for the half year ended 31 December 2016.

Hotel Property Investments
Half Year Report for the six months ended 31 December 2016
Directors' report (continued)

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 Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the rounding 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 Instrument, except where otherwise indicated.

Signed in accordance with a resolution of the directors of Hotel Property Investments Limited.



Michael Tilley

Director

Melbourne

Dated this 22nd day of February 2017



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

To: the directors of Hotel Property Investments 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 2016 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

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

Dean Waters

Partner

Melbourne

22 February 2017

Hotel Property Investments
Half Year Report for the six months ended 31 December 2016
Consolidated statement of profit or loss and other comprehensive income

		31 December 2016 \$'000	31 December 2015 \$'000
REVENUE			
Rent from investment properties		22,289	21,796
Revenue from investment properties - straight-line lease adjustment		28	46
Revenue from outgoings recovered		2,333	2,279
Total revenue		24,650	24,121
Other income			
Fair value adjustment to investment properties	11	56,005	16,340
Impact of straight-line lease adjustment on fair value of investment properties		(28)	(46)
Gain on sale of investment properties		1,530	-
Amortisation of Derivatives		384	443
Interest from cash deposits		9	26
Sundry income		44	1
Total other income		57,944	16,764
Total income from operating activities		82,594	40,885
OPERATING EXPENSES			
Investment property outgoings and expenses		(3,708)	(3,675)
Other expenses	6	(1,508)	(1,763)
Total expenses from operating activities		(5,216)	(5,438)
Profit from operating activities		77,378	35,447
Non operating income / (expenses)			
Realised loss on derivative financial instruments		(702)	-
Finance costs	7	(5,466)	(5,242)
Total non operating income / (expenses)		(6,168)	(5,242)
Profit before tax		71,210	30,205
Tax (expense) / benefit		(5)	(2)
Profit for the year		71,205	30,203
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Cash flow hedges - effective portion of changes in fair value		1,433	(550)
Total comprehensive income		72,638	29,653
Profit / (loss) attributable to:			
Unitholders of the Trust		71,201	30,198
Shareholders of the Company		4	5
		71,205	30,203
Total comprehensive income attributable to:			
Unitholders of the Trust		71,201	29,648
Shareholders of the Company		4	5
		71,205	29,653
Basic and diluted earnings per security (cents)	20	48.74	20.67

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 2016
Consolidated statement of financial position

		31 December 2016 \$'000	30 June 2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	6,251	2,269
Trade and other receivables	9	498	469
Related party receivables		-	-
Other current assets		1,237	248
Assets held for sale	10	-	8,290
Total current assets		7,986	11,276
Non-current assets			
Investment property	11	644,775	588,310
Plant, property and equipment		168	-
Other non-current assets		196	193
Deferred tax assets		84	68
Total non-current assets		645,223	588,571
TOTAL ASSETS		653,209	599,847
LIABILITIES			
Current liabilities			
Trade and other payables	12	3,815	2,698
Provisions	15	32,617	13,787
Total current liabilities		36,432	16,485
Non-current liabilities			
Loans and borrowings	13	241,955	245,965
Derivative financial instruments	14	1,316	3,985
Deferred tax liability		56	-
Total non-current liabilities		243,327	249,950
TOTAL LIABILITIES		279,759	266,435
NET ASSETS		373,450	333,412
EQUITY			
Contributed equity	16	262,640	262,640
Retained earnings / (accumulated losses)	17	111,492	72,709
Reserves	18	(682)	(1,937)
TOTAL EQUITY		373,450	333,412

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 2016
Consolidated statement of changes in equity

	Note	Contributed Equity \$'000	Retained Earnings \$'000	Reserves \$'000	Total Equity \$'000
Balance at 1 July 2016		262,640	72,709	(1,937)	333,412
Total comprehensive income for the period					
Profit for the period		-	71,205	-	71,205
Total other comprehensive income		-	-	-	-
Derivative reserve movement				1,433	1,433
Total comprehensive income for the period		-	71,205	1,433	72,638
Transactions with owners in their capacity as owners recognised directly in equity					
Provision for distribution to stapled security holders	20	-	(32,422)	-	(32,422)
Share-based payment transactions	18	-	-	8	8
Purchase of Treasury shares	18	-	-	(186)	(186)
Total transactions with owners		-	(32,422)	(178)	(32,600)
Balance at 31 December 2016		262,640	111,492	(682)	373,450
Total recognised income and expense for the year is attributable to:					
- Trust					71,201
- Company					4
HPI Group					71,205
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

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 2016
Consolidated statement of cash flows

	Note	31 December 2016 \$'000	31 December 2015 \$'000
Cash flows from operating activities			
Rent and outgoings from investment properties (GST inclusive)		27,215	26,502
Payments to suppliers		(7,995)	(7,396)
Interest receipts - bank deposits		7	26
Interest paid		(3,998)	(5,108)
Income tax paid		(12)	-
Net cash from operating activities		15,217	14,024
Cash flows from investing activities			
Proceeds from disposal of investment properties		9,833	-
Payment for Treasury Shares		(186)	-
Payment for Plant, property and equipment additions		(178)	-
Payment for additions to investment property		(171)	(270)
Net cash from investing activities		9,298	(270)
Cash flows from financing activities			
Proceeds from borrowings		11,000	11,000
Repayments of borrowings		(15,700)	(15,000)
Payment for swap termination		(1,689)	-
Payment of distributions		(13,588)	(12,273)
Payment of transaction costs related to loans and borrowings		(556)	-
Net cash from financing activities		(20,533)	(16,273)
Net increase/(decrease) in cash held		3,982	(2,519)
Cash and cash equivalents at the beginning of the period		2,269	4,562
Cash and cash equivalents at the end of the period	8	6,251	2,043

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

Hotel Property Investments
Half Year Report for the six months ended 31 December 2016

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Hotel Property Investments

Half Year Report for the six months ended 31 December 2016

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 2016 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 Hotel Property Investments 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 2016, 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
- share-based payment arrangements are 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 2016 was approved by the directors of the Responsible Entity on 22 February 2017.

(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 Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191 and in accordance with that instrument, 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 2016 are described in the following notes:

- Note 4(a) and Note 11 - investment property
- Note 4(c) and Note 22 - financial instruments

(e) Working capital

As at 31 December 2016, the HPI Group had an excess of current liabilities over current assets of \$28.4 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, and that the net current deficit 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 2016
Notes to the consolidated financial statements (continued)

Note 3 Significant accounting policies

The accounting policies applied in this consolidated financial report are the same as those applied by the HPI Group in its consolidated financial report as at and for the year ended 30 June 2016, with the exception of a new accounting policy which has been applied during the period (as a result of the long term incentive plan entered which commenced during the period).

(a) Share-based payment transactions

The initial fair value of share-based payments is established at grant date. The awards granted to employees is recognised as an expense, with a corresponding increase in the share-based payment reserve over the period during which the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance are expected to be met.

(b) 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 Other Comprehensive Income (OCI) and accumulated in the hedging reserve.

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 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.

(c) 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 2017, 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 2018), 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) Share-based payment transactions

The fair value of the share based payments as at the grant date is determined independently using a Monte Carlo simulation. Service and non-market performance conditions attached to the arrangements are not taken into account in measuring fair value.

Hotel Property Investments
Half Year Report for the six months ended 31 December 2016
Notes to the consolidated financial statements (continued)

Note 4 Determination of fair values (continued)

(c) 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.

(d) Derivatives

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

Note 5 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.

Note 6 Other expenses

	31 December 2016	31 December 2015
Note	\$'000	\$'000
Advisory and legal fees	42	444
Management fees	-	775
All other expenses	1,466	544
	1,508	1,763

On 1 July 2016 the HPI Group internalised its management and became the Responsible Entity for the Hotel Property Investments Trust, and all the staff previously providing third party services became employees of the HPI Group. Accordingly, the Group no longer incurs management fees. The costs associated with management of the HPI Group are reflected within other expenses.

Note 7 Finance costs

	31 December 2016	31 December 2015
Syndicated Facility Agreement ("SFA") / Common Terms Deed ("CTD")		
- interest expense	4,028	4,465
- amortised borrowing costs	681	134
- other finance costs	757	643
	5,466	5,242

Note 8 Cash and cash equivalents

	31 December 2016	30 June 2016
	\$'000	\$'000
Cash at bank and on hand	6,251	2,269

Hotel Property Investments
Half Year Report for the six months ended 31 December 2016
Notes to the consolidated financial statements (continued)

Note 9 Trade and other receivables	31 December 2016	30 June 2016
	\$'000	\$'000
Trade receivables	215	424
Less: Allowance for impairment	-	-
Net trade receivables	215	424
Other receivables	282	45
	498	469

Note 10 Assets held for sale	31 December 2016	30 June 2016
Note	\$'000	\$'000
Investment properties held for sale	-	8,290
	-	8,290
Movements		
Carrying amount at the beginning of the year	8,290	700
Disposals	(8,290)	(700)
Transfer from investment property	-	8,290
Carrying amount at the end of the year	-	8,290
Payneham Tavern was classified as held for sale at 30 June 2016 with the transaction completing 6 September 2016.		

Note 11 Investment property	31 December 2016	30 June 2016
Note	\$'000	\$'000
Investment property	644,775	596,600
Investment properties held for sale	-	(8,290)
	644,775	588,310
Movements		
Carrying amount at the beginning of the period	588,310	563,490
Transfer to assets held for sale	-	(8,290)
Capital additions on investment properties	460	503
Fair value adjustments	56,005	32,607
Carrying amount at the end of the period	644,775	588,310

Hotel Property Investments
Half Year Report for the six months ended 31 December 2016
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.

Fair value adjustments at 31 December 2016

Independent valuations were obtained for all investment properties as at 31 December 2016. These valuations were completed by CBRE Hotels Valuation & Advisory Services.

The HPI Group amended its valuation policy during the period in consideration of its new debt financing to independently value at least one half of all properties each financial year (previously 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.

	December 2016 Yields	June 2016 Yields
Hotel Investment Property Yield Range	5.75% - 8.0%	6.75% - 8.75%

Fair value hierarchy

The fair value measurement for investment property of \$644.8 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 2016 \$'000	30 June 2016 \$'000
Reconciliation of fair value gains/losses		
Fair value as at beginning of the period	588,310	563,490
Transfer to assets held for sale	-	(8,290)
Capital additions on investment properties	460	503
Carrying amount before revaluations	588,770	555,703
Fair value as at end of the period	644,775	588,310
Fair value gain/(loss) for the period	56,005	32,607

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 2016
Notes to the consolidated financial statements (continued)

Note 11 Investment property (continued)

Property	Location	Date acquired	Capitalisation rate	Fair Value at 31 December 2016 \$'000	Fair Value at 30 June 2016 \$'000
Pubs and On-site Specialty Leases Owned as at 31 December 2016					
Barron River Hotel	Stratford QLD	Feb-01	7.00%	7,100	6,290
Beenleigh Tavern	Eagleby QLD	Oct-14	6.50%	12,300	10,300
Berserker Tavern	Rockhampton QLD	May-04	7.00%	9,200	8,960
Bonny View Tavern	Bald Hills QLD	Dec-06	7.00%	12,800	11,640
Boomerang Motor Hotel	West Mackay QLD	Sep-01	8.00%	8,600	8,580
Bribie Island Hotel	Bellara QLD	Aug-07	6.75%	15,400	15,140
Brighton Hotel	Brighton QLD	Jul-05	6.75%	11,300	11,460
Brighton Metro Hotel	Brighton SA	Jul-07	5.75%	16,300	13,940
Caboolture Sundowner Hotel Motel	Caboolture QLD	Sep-03	6.75%	10,900	10,720
Chancellors Tavern	Sippy Downs QLD	Aug-07	6.25%	13,300	11,960
Cleveland Sands Hotel	Cleveland QLD	Dec-06	6.00%	28,450	23,540
Cleveland Tavern	Cleveland QLD	Sep-03	6.25%	14,950	13,140
Club Hotel	Gladstone QLD	Jan-05	7.00%	7,100	6,450
Coomera Lodge Hotel	Oxenford QLD	Dec-06	6.50%	4,750	4,550
Crown Hotel	Lutwyche QLD	Nov-05	6.50%	34,750	32,520
Diamonds Tavern	Kallangur QLD	Mar-06	6.75%	8,900	8,590
Dunwoodys Tavern	Cairns QLD	Jan-97	6.75%	21,250	19,960
Everton Park Hotel	Everton Park QLD	Dec-06	6.25%	25,000	22,650
Ferry Rd Tavern	Southport QLD	Jul-06	6.00%	29,650	26,150
Fitzys Loganholme	Loganholme QLD	Jun-06	6.50%	21,650	20,060
Fitzys Waterford	Waterford QLD	Jun-06	6.75%	16,475	15,050
Grafton Hotel	Edmonton QLD	Jun-94	7.00%	7,200	6,470
Grand Junction Hotel	Pennington SA	Jul-07	6.25%	9,950	9,000
Hotel HQ	Underwood QLD	Sep-14	6.00%	23,700	19,890
Hotel Wickham	Fortitude Valley QLD	Jun-06	6.50%	11,100	10,740
Kings Beach Tavern	Caloundra QLD	Aug-07	6.25%	16,800	15,120
Kooyong Motor Hotel	North Mackay QLD	Mar-02	8.00%	6,550	6,990
Leichhardt Hotel	Rockhampton QLD	Nov-04	7.75%	8,400	8,050
Lord Stanley Hotel	East Brisbane QLD	Aug-07	6.25%	10,500	9,240

Hotel Property Investments
Half Year Report for the six months ended 31 December 2016
Notes to the consolidated financial statements (continued)

Note 11 Investment property (continued)

Property	Location	Date acquired	Capitalisation rate	Fair Value at 31 December 2016 \$'000	Fair Value at 30 June 2016 \$'000
Magnums Tavern	Airlie Beach QLD	Jan-15	6.50%	22,450	18,660
Mi Hi Tavern	Brassal QLD	Dec-06	6.75%	16,900	14,880
New Inala Hotel	Inala QLD	Jun-05	6.50%	11,350	10,730
Palm Cove Tavern	Palm Cove QLD	Apr-04	6.50%	7,850	7,000
Royal Hotel Townsville	West End QLD	Sep-98	7.50%	5,750	5,600
Royal Mail Hotel	Tewantin QLD	Aug-07	6.50%	18,400	16,660
Q Sports Bar*	Cairns QLD	Jun-05	6.50%	8,600	7,810
The Hotel Allen	Northward QLD	May-00	8.00%	12,000	16,000
The Regatta	Toowong QLD	Nov-06	6.00%	40,350	35,040
The Wallaby Hotel	Mudgeeraba QLD	Jan-15	6.25%	12,450	10,100
Tom's Tavern	Aitkenvale QLD	Dec-03	6.75%	21,200	19,180
Trinity Beach Tavern	Trinity Beach QLD	Jun-05	6.75%	16,250	15,120
Waterloo Tavern	Paralowie SA	Jul-07	6.25%	19,200	17,230
Woodpecker Tavern	Burpengary QLD	Sep-03	6.50%	7,700	7,150
Total Pubs and On-site Speciality Leases - ongoing			6.51%	644,775	588,310
<i>Assets held for sale</i>					
Payneham Tavern **	Royston Park SA	Jul-07	0.00%	0	8,290
Total Pubs and On-site Speciality Leases			6.51%	644,775	596,600

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

** Settled 6 September 2016.

Note 12 Trade and other payables

	31 December 2016 \$'000	30 June 2016 \$'000
<i>Current</i>		
Trade payables	290	106
Due to related parties	-	288
Other payables	3,525	2,304
	3,815	2,698

Hotel Property Investments
Half Year Report for the six months ended 31 December 2016
Notes to the consolidated financial statements (continued)

Note 13 Loans and borrowings	31 December 2016	30 June 2016
	\$'000	\$'000
<i>Non-current</i>		
Bank loans	241,955	245,965
	241,955	245,965

During the half year the HPI Group refinanced its loan facilities, replacing the previous Syndicated Facility Agreement with a Common Terms Deed and bilateral Facility Agreements with the Commonwealth Bank of Australia and Westpac Banking Corporation. The refinancing increased the average loan term to expiry to 4.2 years at 31 December 2016. The aggregate limit of the facilities is \$285.0 million which includes a \$4.0 million bank guarantee facility.

Syndicated Facility Agreement (“SFA”)

SFA - drawdown	-	246,623
Borrowing costs capitalised	(658)	(926)
Amortisation of borrowing costs	116	268
Borrowing costs written off	542	-
	-	245,965

Repayment schedule

Loans under the Syndicated Facility Agreement were repaid in full during period.

Common Terms Deed (“CTD”)

CTD - drawdown	243,300	-
Borrowing costs capitalised	(1,368)	-
Amortisation of borrowing costs	23	-
	241,955	-

Repayment schedule

Loans under the Common Terms Deed comprise of two Tranches. Tranche A, totalling \$105.0 million, is due to mature December 2019 and Tranche B, totalling \$180.0 million, is due to mature December 2021.

Note 14 Derivative financial instruments	31 December 2016	30 June 2016
	\$'000	\$'000
Derivative financial instruments - non current liability	1,316	3,985
	1,316	3,985
Derivative financial instruments at the beginning of the period	(3,985)	(3,046)
Fair value loss for the period:		
- Cancelled derivatives	441	-
- Open derivatives	676	(939)
Close out of cancelled derivatives	1,552	-
Fair value of derivative financial instruments at end of the period	(1,316)	(3,985)

Hotel Property Investments
Half Year Report for the six months ended 31 December 2016
Notes to the consolidated financial statements (continued)

Note 15 Provisions	31 December 2016 \$'000	30 June 2016 \$'000
<i>Current</i>		
Provision for distribution	32,421	13,588
Provision for capital works	196	199
	32,617	13,787
	Distribution	Capital works
Balance at the beginning of the period	13,588	199
Provisions made during the period	32,421	-
Provisions used during the period	(13,588)	(3)
Balance at the end of the period	32,421	196

Distribution

The provision for distribution relates to distributions to be paid to stapled security holders on 6 March 2017. 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 further and other capital works that may need to be undertaken.

Note 16 Contributed equity

	No. of units	\$'000
On issue at 1 July 2016 - fully paid	146,105,439	262,640
On issue at 31 December 2016 - fully paid	146,105,439	262,640
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

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.

Treasury shares

Contributed equity reflects the number of stapled securities on market at balance date, exclusive of the effect of treasury shares held. (Refer to note 18.)

Note 17 Retained earnings / (accumulated losses)	31 December 2016 \$'000	30 June 2016 \$'000
	Note	
Balance at the beginning of the period	72,709	39,318
Profit for the period	71,205	60,128
Distribution to stapled security holders	-	(13,149)
Provision for distribution to stapled security holders	(32,422)	(13,588)
Balance at the end of the period	111,492	72,709

Hotel Property Investments
Half Year Report for the six months ended 31 December 2016
Notes to the consolidated financial statements (continued)

Note 18 Reserves	31 December 2016	30 June 2016
	\$'000	\$'000
Hedging reserve	(504)	(1,937)
Treasury share reserve	(186)	-
Share based payment reserve	8	-
Balance at the end of the period	(682)	(1,937)

Hedging reserve

The hedging reserve is comprised of the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges, pending subsequent recognition in profit in loss as the hedged cash flows or items affect the profit or loss.

Treasury share reserve

The Treasury share reserve is comprised of the cost of the HPI Group's securities which were purchased on-market during the half year, and are held by the HPI Rights Plan Trust. At 31 December 2016, the HPI Group held 65,107 of the Company's securities (2015: Nil).

Share based payment reserve

The HPI Group introduced a long term incentive plan for executive employees during the period ended 31 December 2016. During the year, \$8,464 was recognised in the share based payments reserve (December 2015: Nil). This represents the amounts recognised under the plan and is the portion of the fair value of the total cost recognised of the unissued securities, which remain conditional on employment with the HPI Group at the relevant vesting date and certain market based performance hurdles being obtained.

Note 19 Net assets per stapled security	31 December 2016	30 June 2016
Number of stapled securities on issue as at the end of the period	146,105,439	146,105,439
Less: Treasury securities	(65,107)	-
Adjusted number of stapled securities on issue as at the end of the period	146,040,332	146,105,439
Net assets at balance date	\$373,449,975	\$333,412,158
Per stapled security on issue	\$2.56	\$2.28

Note 20 Earnings per security	31 December 2016	31 December 2015
Profit for the period	\$71,204,633	\$30,202,748
Weighted average number of securities	No. of securities	No. of securities
On issue at the beginning of the period	146,105,439	146,105,439
Less: Treasury securities	(65,107)	-
Weighted average number of securities	146,102,254	146,105,439
Basic and diluted earnings per security - cents	48.74	20.67

Note 21 Distributions	Total distribution	No. of stapled securities	Distribution per stapled security
	\$'000		cents
Distributions to stapled security holders			
31 December 2016			
1 July 2016 to 31 December 2016	32,422	146,102,254	22.2
31 December 2015			
1 July 2015 to 31 December 2015	13,149	146,105,439	9.0

Distributions are shown exclusive of expected distributions payable on treasury securities.

Hotel Property Investments
Half Year Report for the six months ended 31 December 2016
Notes to the consolidated financial statements (continued)

Note 22 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 2016		Carrying amount				Fair value			
\$'000		Fair value	Loans and	Other	Total	Level 1	Level 2	Level 3	Total
	Note	hedging	receivables	financial					
		instruments		liabilities					
Financial assets not measured at fair value									
Trade and other receivables	9	-	498	-	498				
Cash and cash equivalents	8	-	6,251	-	6,251				
		-	6,749	-	6,749				
Financial liabilities measured at fair value									
Interest rate derivatives	14	(1,316)	-	-	(1,316)	-	(1,316)	-	(1,316)
		(1,316)	-	-	(1,316)				
Financial liabilities not measured at fair value									
Secured bank loans	13	-	-	(241,955)	(241,955)				
Trade and other payables	12	-	-	(3,815)	(3,815)				
		-	-	(245,770)	(245,770)				

30 June 2016		Carrying amount				Fair value			
\$'000		Fair value	Loans and	Other	Total	Level 1	Level 2	Level 3	Total
	Note	hedging	receivables	financial					
		instruments		liabilities					
Financial assets not measured at fair value									
Trade and other receivables	9	-	469	-	469				
Cash and cash equivalents	8	-	2,269	-	2,269				
		-	2,738	-	2,738				
Financial liabilities measured at fair value									
Interest rate derivatives	14	(3,985)	-	-	(3,985)	-	(3,985)	-	(3,985)
		(3,985)	-	-	(3,985)				
Financial liabilities not measured at fair value									
Secured bank loans	13	-	-	(245,965)	(245,965)				
Trade and other payables	12	-	-	(2,698)	(2,698)				
		-	-	(248,663)	(248,663)				

Hotel Property Investments
Half Year Report for the six months ended 31 December 2016
Notes to the consolidated financial statements (continued)

Note 23 Related parties

	Transaction values for the six months ended		Balance outstanding as at	
	31 December 2016	31 December 2015	31 December 2016	30 June 2016
	\$	\$	\$	\$
Responsible entity fee	-	111,889	-	-
Services Manager fee	-	775,035	-	-

On 1 July 2016 the HPI Group internalised its management and became the Responsible Entity for the Hotel Property Investments Trust. Accordingly, no Responsible entity fees or Services manager fees were incurred during the period.

No other related party transactions were entered into during the period.

Note 24 Contingent assets

The HPI Group is not aware of any contingent assets at 31 December 2016 which may materially affect the operation of the business (2015: none).

Note 25 Contingent liabilities

The HPI Group is not aware of any contingent liabilities at 31 December 2016 which may materially affect the operation of the business (2015: none).

Note 26 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 27 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 \$20.4 million (2015: \$20.0 million) of the HPI Group's total revenues.

Note 28 Subsequent events

No item, transaction or event has occurred subsequent to 31 December 2016 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 2016
Directors' declaration

In the opinion of the directors of Hotel Property Investments Limited, as Responsible Entity for the Hotel Property Investment Trust:

1. the consolidated financial statements and notes, set out on pages 8 to 24, 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 2016 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*.
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 Hotel Property Investments Limited.



Michael Tilley
Director
Melbourne

Dated this 22nd day of February 2017



Independent Auditor's Review Report

To the stapled security holders of Hotel Property Investments Limited and Hotel Property Investments Trust

Report on the half year financial report

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 (the Group) is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and
- ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

We have reviewed the accompanying half year financial report of Hotel Property Investments.

The half year financial report comprises:

- the consolidated statement of financial position as at 31 December 2016
- 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 28 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The Group comprises the Hotel Property Investments Limited (the Company), Hotel Property Investments Trust (the Trust), and the entities it controlled at the half year's end or from time to time during the half year.

Responsibilities of the Directors for the half year financial report

The Directors of the Hotel Property Investments 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 for the review of the half year financial report

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 2016 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 Investment, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of 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*.

KPMG

KPMG

Dean Waters

Partner

Melbourne

22 February 2017

Hotel Property Investments
Half Year Report for the six months ended 31 December 2016

Corporate Directory

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Company Secretary

Hotel Property Investments Limited
David Charles