P: +61 3 9038 1774
F: +61 3 8526 7430
W: www.hpitrust.com.au

Address
L17, IBM Tower
60 City Rd, Southbank
Victoria, 3006

Appendix 4D
Half Year Report
Six Months Ended 31 December 2017

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 2017 to 31 December 2017 (previous corresponding period 1 July 2016 to 31 December 2016)

Results for announcement to the market

	Six Months Ended 31 December 2017 A$'000	Six Months Ended 31 December 2016 A$'000	Variance %
Rent revenue from investment properties	22,996	22,289	3.17%
Total income from operating activities	29,513	82,594	-64.27%
Profit / (loss) for the period from operating activities after tax attributable to stapled security holders	24,387	77,373	-68.48%
Profit / (loss) for the period attributable to stapled security holders	17,466	71,205	-75.47%
Interim trust distribution amount per stapled security (cents)	9.8	22.2	-55.86%
Interim dividend amount per stapled security (cents)	0.0	0.0	0.00%
Record date for determining entitlements to trust distribution	29 December 2017	30 December 2016	
Payment date for trust distribution	5 March 2018	6 March 2017	

Explanation of Results

- Rent revenue increased by 3.17% due to:
  - annual rent increases averaging 3.8% across the portfolio; and
- Total income decreased by 64.3% primarily due to significant fair value adjustments of investment property during the 2016 period of $56 million. The current period fair value gain was $4.2 million.
- Total profit decreased due to:
  - the abovementioned decrease in fair value adjustments; and
  - no realised gains on disposal of assets during the period (2016: $1.5 million)

Other Details

	31 December 2017	31 December 2016	Variance %
Net Tangible Assets per security	$2.67	$2.56	4.41%
Total distribution payable for half year (A$'000)	14,302	32,422	-55.89%

- The interim distribution for the half year ended 31 December 2016 included a special distribution of 12.5 cents per security. No special distribution has been made in the current period.
- There were no dividend or distribution reinvestment plans in operation for the period.
- There were no associates or joint venture entities during the period.

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

Audit

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

Hotel Property Investments (HPI)

Half Year Report

For the Six Months Ended 31 December 2017

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

Contents

The directors of Hotel Property Investments Limited as Responsible Entity (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 2017.

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

The members of the Board of Directors of the Company in office during the half year ended 31 December 2017 were:

Michael Tilley
Raymond Gunston
Lachlan Edwards
John Russell
David Charles
Giselle Collins

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 8 August 2017, the HPI Group executed a A$230 million long-term loan in the U.S. Private Placement ("USPP") market. The issue comprised three tranches of unsecured, Australian Dollar denominated notes:

- A$100 million fixed interest loan with an 8 year tenor, maturing in August 2025;
- A$30 million fixed interest loan with a 10 year tenor, maturing in August 2027; and
- A$100 million floating interest loan with a 10 year tenor, maturing in August 2027.

Funding occurred on 11 August 2017, with the proceeds used to repay bank loans outstanding under the existing Common Terms Deed ("CTD") facilities.

Coinciding with the USPP raising, HPI sought and agreed amendments to the CTD and associated facility agreements with its banks. These changes were effective 11 August 2017. Notable changes include moving the CTD to an unsecured basis, and reducing the CTD facility limits by the amount of the USPP raising, from $285 million to $55 million. The Commonwealth Bank facility limit was reduced by $100 million to $55 million (inclusive of a $4 million letter of credit facility) maturing 11 August 2020, and the Westpac Bank facility of $130 million has been fully repaid and cancelled.

Consequently, the HPI Group's weighted average term to expiry for its loans and borrowings has increased from 3.6 years to 8.0 years as at the date of funding.

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 9.8 cents per stapled security for the half year ended 31 December 2017 and has made a provision for the interim distribution of $14.3 million.

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

In February 2018 HPI Group contracted to acquire a Quest branded accommodation hotel located in Griffith, New South Wales, with a purchase price of $15.25 million plus costs. Settlement is scheduled to occur in March 2018. The acquisition will be 100% debt funded utilising the Group's bank debt facilities, the limit of which was increased by $23.1 million in February 2018.

No other item, transaction or event has occurred subsequent to 31 December 2017 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") and listed on the ASX on 10 December 2013. Its principal activity is real estate investment in freehold pubs in Australia. 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 2017 was $17.5 million. Operating revenues and expenses included rental income from investment properties of $23.0 million, property cost recoveries of $2.3 million, property outgoing costs of $3.6 million, other trust and management costs of $1.5 million, and financing costs of $6.9 million. Additionally, there was a fair value gain on investment property of $4.2 million.

At 31 December 2017, independent valuations were obtained for 22 investment properties with the remaining properties valued by the Directors in accordance with the HPI Group policy.

The Directors' valuations have been determined by reference to the current net income, including allowance for contracted rental growth for each property and the specific circumstances of each property. Market capitalisation rates were maintained constant at their previous independent valuation level. The current average capitalisation rate is 6.48%.

Adjusting profit after tax for fair value adjustments, non-cash finance costs and other minor items, the distributable earnings of the HPI Group were $14.6 million. Adjusting further for maintenance capex of $0.2 million the Adjusted Funds from Operations (AFFO) was $14.4 million.

Financial position

At 31 December 2017 the HPI Group's net assets were $390.1 million representing net assets per stapled security of $2.67 (June 2017: $2.65). Major assets and liabilities included cash on hand of $1.1 million, investment property of $663.1 million, receivables and other current assets of $1.9 million, borrowings of $255.9 million and a provision for payment of distributions of $14.3 million. During the period investment property values increased by $4.4 million before capex resulting mainly from fair value gains of $4.2 million, whilst loans have increased by $1.1 million.

At 31 December 2017, the HPI Group's total borrowing facilities of $285 million were drawn to $255.9 million including $230 million under the USPP and $25.9 million under the CTD. As $130 million or 50.7% of this drawn debt is on fixed interest terms the HPI Group cancelled its $62.5 million interest rate swap on 18 July 2017, at a payout cost of $1.2 million.

Risk management

There has not been a material change in the HPI Group's risk profile since 30 June 2017. Details of the HPI Group's risk profile are outlined in the Directors' report for the year ended 30 June 2017.

Business strategies and prospects

The HPI Group's key financial goal is to improve cash distributions to stapled security holders whilst maintaining the key attributes of the HPI Group business. Distribution growth may be achieved organically from contracted annual rent increases across the portfolio and by prudent management of financing charges, management fees and other costs of the Trust. Further distribution growth may arise from development opportunities undertaken on surplus land or with Coles Group as it pursues its retail liquor and hotels strategy, or through accretive acquisitions.

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.

Distributions

At 31 December 2017 the HPI Group made a provision of $14.3 million for its interim distribution of 9.8 cents per stapled security. 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 2017 $'000
Profit after income tax for the period	17,466
Plus/(Less): Adjustments for non-cash and other items	
Fair value increments to investment properties	(4,211)
Realised loss on derivative financial instruments	45
Finance costs - non-cash	1,286
Income tax expense	16
Total adjustments for non-cash items	(2,864)
Distributable earnings	14,602
Less maintenance capital expenditure	(235)
Adjusted funds from operations	14,367
Interim Distribution provided for	14,302

	Cents
Earnings and distribution per stapled security:	
Basic and diluted earnings	12.0
Earnings available for distribution per security	9.8
Interim distribution per security	9.8

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 2017.

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 21st day of February 2018

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

To the Directors of Hotel Property Investments Limited, being the responsible entity for the 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 2017 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Dean Waters

Partner

Melbourne

21 February 2018

Hotel Property Investments
Half Year Report for the six months ended 31 December 2017
Consolidated statement of profit or loss and other comprehensive income

	Note	31 December 2017 $'000	31 December 2016 $'000
REVENUE			
Rent from investment properties		22,996	22,289
Revenue from outgoings recovered		2,300	2,333
Total revenue		25,296	24,622
Other income			
Fair value adjustment to investment properties	11	4,211	56,005
Gain on sale of investment properties		-	1,530
Amortisation of Derivatives		-	384
Finance revenue		6	9
Sundry income		-	44
Total other income		4,217	57,972
Total income from operating activities		29,513	82,594
OPERATING EXPENSES			
Investment property outgoings and expenses		(3,583)	(3,562)
Other expenses	6	(1,527)	(1,654)
Total expenses from operating activities		(5,110)	(5,216)
Profit from operating activities		24,403	77,378
Non operating expenses			
Realised loss on derivative financial instruments		(45)	(702)
Finance costs	7	(6,876)	(5,466)
Total non operating expenses		(6,921)	(6,168)
Profit before tax		17,482	71,210
Tax expense		(16)	(5)
Profit for the year		17,466	71,205
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
Total comprehensive income		17,466	72,638
Profit attributable to the stapled security holders of HPI		17,466	71,205
Total comprehensive income attributable to the stapled security holders of HPI		17,466	72,638
Basic and diluted earnings per security (cents)	20	11.96	48.74

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

Consolidated statement of financial position

	Note	31 December 2017 $'000	30 June 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	1,132	1,135
Trade and other receivables	9	396	225
Other current assets	10	1,525	421
Total current assets		3,053	1,781
Non-current assets			
Investment property	11	663,140	658,675
Plant and equipment		287	316
Other non-current assets	10	-	1,346
Deferred tax assets		86	103
Total non-current assets		663,513	660,440
TOTAL ASSETS		666,566	662,221
LIABILITIES			
Current liabilities			
Trade and other payables	12	6,118	4,423
Employee benefit liabilities	13	161	165
Provisions	16	14,302	14,458
Total current liabilities		20,581	19,046
Non-current liabilities			
Loans and borrowings	14	255,886	254,834
Employee benefit liabilities	13	7	4
Derivative financial instruments	15	-	1,135
Deferred tax liability		4	2
Total non-current liabilities		255,897	255,975
TOTAL LIABILITIES		276,478	275,021
NET ASSETS		390,088	387,200
EQUITY			
Contributed equity	17	262,640	262,640
Retained earnings	18	127,893	124,729
Reserves	19	(445)	(169)
TOTAL EQUITY		390,088	387,200

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

Consolidated statement of changes in equity

	Note	Contributed Equity $'000	Retained Earnings $'000	Reserves $'000	Total Equity $'000
Balance at 1 July 2017		262,640	124,729	(169)	387,200
Total comprehensive income for the period					
Profit for the period		-	17,466	-	17,466
Total other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	17,466	-	17,466
Transactions with owners in their capacity as owners recognised directly in equity					
Provision for distribution to stapled security holders	22	-	(14,302)	-	(14,302)
Share-based payment transactions	19	-	-	30	30
Purchase of Treasury shares	19	-	-	(306)	(306)
Total transactions with owners		-	(14,302)	(276)	(14,578)
Balance at 31 December 2017		262,640	127,893	(445)	390,088

	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
Derivative reserve movement		-	0	1,433	1,433
Total comprehensive income for the period		-	71,205	1,433	72,638
Provision for distribution to stapled security holders	20	-	(32,421)	-	(32,421)
Share-based payment transactions	19	-	-	8	8
Purchase of Treasury shares	19	-	-	(186)	(186)
Total transactions with owners		-	(32,421)	(178)	(32,599)
Balance at 31 December 2016		262,640	111,493	(682)	373,451

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 2017 $'000	31 December 2016 $'000
Cash flows from operating activities			
Rent and outgoings from investment properties (GST inclusive)		27,722	27,215
Payments to suppliers		(8,349)	(7,995)
Interest receipts - bank deposits		6	7
Income tax paid		(42)	(12)
Net cash from operating activities		19,337	19,215
Cash flows from investing activities			
Payment for acquisition of other assets		(400)	-
Proceeds from disposal of investment properties		-	9,833
Payment for Treasury Shares		(306)	(186)
Payment for Plant and equipment additions		(3)	(178)
Payment for additions to investment property		(53)	(171)
Net cash (used in) / from investing activities		(762)	9,298
Cash flows from financing activities			
Proceeds from borrowings		244,500	11,000
Repayments of borrowings		(242,800)	(15,700)
Payment of borrowing costs		(4,640)	(4,554)
Payment for swap termination		(1,180)	(1,689)
Payment of distributions		(14,458)	(13,588)
Net cash used in financing activities		(18,578)	(24,531)
Net increase/(decrease) in cash held		(3)	3,982
Cash and cash equivalents at the beginning of the period		1,135	2,269
Cash and cash equivalents at the end of the period	8	1,132	6,251

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

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 2017 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 *Interim Financial Reporting* 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 2017, 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 that are measured at fair value:

- investment property, including investment property held for sale at reporting date
- share-based payment arrangements
- trade receivables
- derivative financial instruments

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 2017 was approved by the directors on 21 February 2018.

(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 2017 are described in the following notes:

- Note 4(a) and Note 11 - investment property
- Note 4(c) and Note 23 - financial instruments

(e) Working capital

As at 31 December 2017, the HPI Group had an excess of current liabilities over current assets of $17.5 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.

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 2017.

(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 may hold 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 after 1 July 2017, and have not been applied in preparing these financial statements.

AASB 9 – Financial Instruments

AASB 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply AASB 9 initially on 1 July 2018.

The actual impact of adopting AASB 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The HPI Group has assessed the effect of the new standard based on the Group's current position and determined that the impact will not be material.

AASB 15 – Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and associated interpretations. AASB 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The HPI Group has assessed the effect of the new standard based on the Group's current position and determined that there will be no impact on revenue generated by leases and no impact of the standard on other revenue sources.

AASB 16 – Leases

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance including AASB 117 *Leases* and associated pronouncements and is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 *Revenue from Contracts with Customers* at or before the date of initial application of AASB 16.

The HPI Group has assessed the effect of the new standard based on the Group's existing leases and determined that there will be no impact on revenue generated by leases and no impact of the standard on existing leases where HPI Group is lessee.

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 market capitalisation rate.

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 market capitalisation rate. Selection of an appropriate market capitalisation rate is based on multiple criteria including risk associated with achieving the net rent cash flows into the future, and observed market based rates 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, the remaining economic life of the property and having regard to specific current market conditions at each location. Properties held for sale are valued at the fair value as at the previous reporting period. Any subsequent gains or losses on remeasurement are recognised in profit or loss.

(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.

(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 2017 $'000	31 December 2016 $'000
Advisory and legal fees	135	42
Auditor's remuneration	96	95
Directors' fees	193	248
Employment expenses	631	696
Insurance	94	147
All other expenses	378	426
	1,527	1,654

Note 7 Finance costs	31 December 2017 $'000	31 December 2016 $'000
Interest expense	5,543	4,028
Amortised borrowing costs	157	139
Borrowing costs written off	1,129	542
Other finance costs	47	757
	6,876	5,466

Note 8 Cash and cash equivalents	31 December 2017 $'000	30 June 2017 $'000
Cash at bank and on hand	1,132	1,135

Note 9 Trade and other receivables	31 December 2017 $'000	30 June 2017 $'000
Trade receivables	281	223
Less: Allowance for impairment	-	-
Net trade receivables	281	223
Other receivables	115	2
	396	225

Note 10 Other current / non current assets	31 December 2017 $'000	30 June 2017 $'000
Other current assets	1,525	421
Other non-current assets	-	1,346
	1,525	1,767

Current assets held at 31 December 2017 comprises prepaid land tax and the deposit and associated costs paid in relation to the acquisition of the land situated adjacent to the Regatta Hotel (refer to note 26).

Other non-current assets held at 30 June 2017 comprised costs paid in relation to raising of debt in the US Private Placement market which were subsequently capitalised on drawdown of the debt. Refer to note 14.

Note 11 Investment property	31 December 2017 $'000	30 June 2017 $'000
Carrying amount at the beginning of the period	658,675	588,310
Capital additions on investment properties	235	817
Straight line lease adjustment	19	47
Fair value adjustments	4,211	69,501
Carrying amount at the end of the period	663,140	658,675

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 HPI's wholly owned subsidiary, CH Property Services Pty Ltd as appointed sub-custodian of CH Trust (a 100% owned subsidiary of the HPI 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 2017

Independent valuations were obtained for 22 investment properties as at 31 December 2017. These valuations were completed by CBRE Hotels Valuation & Advisory Services and Urbis Valuations Pty Ltd.

The remaining 21 investment properties were valued by the Directors in accordance with the HPI Group policy.

	December 2017	June 2017
Market capitalisation rate range at last independent valuation	5.75% - 8.0%	5.75% - 8.0%

Fair value hierarchy

The fair value measurement for investment property of $663.1 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

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

Reconciliation of fair value gains	31 December 2017 $'000	30 June 2017 $'000
Fair value as at beginning of the period	658,675	588,310
Capital additions on investment properties	235	817
Carrying amount before revaluations	658,910	589,127
Fair value as at end of the period	663,140	658,675
Fair value gain for the period	4,230	69,548

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)
- Other property specific factors	Additional land	Additional land was higher (lower) in value
	Capital allowance	Capital allowance was (smaller) larger

Note 11 Investment property (continued)

Property	Location		31 December 2017 Cap'n rate [1]	31 December 2017 Fair Value $'000	30 June 2017 Cap'n rate [1]	30 June 2017 Fair Value $'000
Pubs and On-site Specialty Leases Owned as at 31 December 2017						
Barron River Hotel	Stratford QLD		7.00%	7,430	7.00%	7,430
Beenleigh Tavern	Eagleby QLD	*	6.50%	12,600	6.50%	12,500
Berserker Tavern	Rockhampton QLD		7.00%	9,600	7.00%	9,600
Bonny View Tavern	Bald Hills QLD		7.00%	13,330	7.00%	12,830
Boomerang Motor Hotel	West Mackay QLD		8.00%	8,880	8.00%	8,880
Bribie Island Hotel	Bellara QLD		6.75%	16,160	6.75%	16,070
Brighton Hotel	Brighton QLD	*	6.75%	11,900	6.75%	11,850
Brighton Metro Hotel	Brighton SA	*	5.75%	16,950	5.75%	16,860
Caboolture Sundowner Hotel Motel	Caboolture QLD	*	6.75%	11,400	6.75%	11,440
Chancellors Tavern	Sippy Downs QLD	*	6.00%	14,400	6.25%	13,830
Cleveland Sands Hotel	Cleveland QLD	*	6.00%	30,100	6.00%	28,930
Cleveland Tavern	Cleveland QLD		6.25%	15,610	6.25%	15,610
Club Hotel	Gladstone QLD	*	7.00%	4,400	7.00%	7,510
Coomera Lodge Hotel	Oxenford QLD		6.50%	4,740	6.50%	4,540
Crown Hotel	Lutwyche QLD	*	6.50%	35,900	6.50%	35,570
Diamonds Tavern	Kallangur QLD	*	7.00%	9,350	6.75%	9,350
Dunwoodys Tavern	Cairns QLD	*	6.75%	22,250	6.75%	22,140
Everton Park Hotel	Everton Park QLD		6.25%	26,220	6.25%	25,140
Ferry Rd Tavern	Southport QLD	*	6.00%	30,500	6.00%	29,870
Fitzys Loganholme	Loganholme QLD		6.50%	22,350	6.50%	22,350
Fitzys Waterford	Waterford QLD	*	6.50%	17,900	6.75%	17,225
Grafton Hotel	Edmonton QLD	*	7.00%	5,750	7.00%	5,750
Grand Junction Hotel	Pennington SA	*	6.25%	10,450	6.25%	10,360
Hotel HQ	Underwood QLD	*	6.00%	24,750	6.00%	24,640
Hotel Wickham	Fortitude Valley QLD		6.50%	11,570	6.50%	11,490
Kings Beach Tavern	Caloundra QLD	*	6.25%	17,600	6.25%	17,500
Kooyong Motor Hotel	North Mackay QLD		8.00%	6,550	8.00%	6,550
Leichhardt Hotel	Rockhampton QLD		7.75%	8,880	7.75%	8,880
Lord Stanley Hotel	East Brisbane QLD		6.25%	11,120	6.25%	11,120

[1] Capitalisation rate at last independent valuation

* Independent valuation obtained as at 31 December 2017

Note 11 Investment property (continued)

			31 December 2017		30 June 2017	
Property	**Location**		**Cap'n rate** [1]	**Fair Value $'000**	**Cap'n rate** [1]	**Fair Value $'000**
Magnums Tavern	Airlie Beach QLD		6.50%	23,700	6.50%	22,940
Mi Hi Tavern	Brassal QLD	*	6.50%	18,550	6.75%	17,040
New Inala Hotel	Inala QLD		6.50%	11,900	6.50%	11,900
Palm Cove Tavern	Palm Cove QLD		6.50%	8,060	6.50%	8,050
Royal Hotel Townsville	West End QLD	*	7.50%	4,000	7.50%	5,350
Royal Mail Hotel	Tewantin QLD		6.50%	19,180	6.50%	19,180
Q Sports Bar*	Cairns QLD	*	6.50%	8,950	6.50%	8,940
The Hotel Allen	Northward QLD	*	8.00%	8,200	8.00%	7,750
The Regatta	Toowong QLD		6.00%	42,140	6.00%	41,980
The Wallaby Hotel	Mudgeeraba QLD	*	6.25%	12,800	6.25%	12,620
Tom's Tavern	Aitkenvale QLD		6.75%	22,170	6.75%	22,280
Trinity Beach Tavern	Trinity Beach QLD		6.75%	16,800	6.75%	16,820
Waterloo Tavern	Paralowie SA		6.25%	19,950	6.25%	19,950
Woodpecker Tavern	Burpengary QLD	*	6.50%	8,100	6.50%	8,060
Total Pubs and On-site Speciality Leases			6.48%	663,140	6.50%	658,675

[1] Capitalisation rate at last independent valuation

* Independent valuation obtained as at 31 December 2017

Note 12 Trade and other payables

	31 December 2017 $'000	30 June 2017 $'000
Current		
Trade payables	330	171
Accrued interest	3,003	202
Other payables	2,785	4,050
	6,118	4,423

Note 13 Employee benefit liabilities

	31 December 2017 $'000	30 June 2017 $'000
Short-term employee benefits	86	94
Post-employment benefits	82	75
	168	169
Represented as follows:		
Current liablities	161	165
Non-current liablities	7	4
	168	169

Note 14 Loans and borrowings	31 December 2017 $'000	30 June 2017 $'000
Non-current		
USPP Notes	228,560	-
Bank loans	27,326	254,834
	255,886	254,834

U.S. Private Placement ("USPP") Notes		
USPP - drawn	230,000	-
Borrowing costs capitalised	(1,505)	-
Amortisation of borrowing costs	65	-
	228,560	-

The USPP Note Purchase Agreement was executed on 8 August 2017 and funding occurred on 11 August 2017, with the proceeds used to repay loans outstanding under the existing Common Terms Deed facilities.
The USPP issue comprises three tranches of unsecured, Australian Dollar denominated notes:

- A$100 million fixed interest loan with an 8 year tenor, maturing in August 2025;
- A$30 million fixed interest loan with a 10 year tenor, maturing in August 2027; and
- A$100 million floating interest loan with a 10 year tenor, maturing in August 2027.

Bank Loans		
Common Terms Deed ("CTD") - December 2016		
CTD - drawn	-	256,000
Borrowing costs capitalised	(1,166)	(1,352)
Amortisation of borrowing costs	37	186
Borrowing costs written off	1,129	-
	-	254,834
Common Terms Deed ("CTD") - August 2017		
CTD - drawn	27,700	-
Borrowing costs capitalised	(429)	-
Amortisation of borrowing costs	55	-
	27,326	-
Total Bank Loans	27,326	254,834

Coinciding with the USPP raising, HPI sought and agreed amendments to the CTD and associated facility agreements with its banks. These changes were effective 11 August 2017. Notable changes include moving the CTD to an unsecured basis, and reducing the CTD facility limits by the amount of the USPP raising, from $285 million to $55 million. The Commonwealth Bank facility limit was reduced by $100 million to $55 million (inclusive of a $4 million letter of credit facility) maturing 11 August 2020, and the Westpac Bank facility of $130 million has been fully repaid and cancelled.

Note 15 Derivative financial instruments

	31 December 2017 $'000	30 June 2017 $'000
Derivative financial instruments - non current liability	-	1,135
	-	1,135
Derivative financial instruments at the beginning of the period	(1,135)	(3,985)
Fair value loss for the period:		
- Cancelled derivatives	(45)	441
- Open derivatives	-	857
Close out of cancelled derivatives	1,180	1,552
Fair value of derivative financial instruments at end of the period	-	(1,135)

Under the revised debt facilities of the HPI Group (refer note 14), $130 million of the $285 million facility is on fixed interest terms. Accordingly, the HPI Group cancelled its $62.5 million interest rate swap on 19 July 2017, at a payout cost of $1.18 million.

Note 16 Provisions

	31 December 2017 $'000	30 June 2017 $'000
Provision for distribution		
Balance at the beginning of the period	14,458	13,588
Provisions made during the period	14,302	46,879
Provisions used during the period	(14,458)	(46,009)
Balance at the end of the period	14,302	14,458

Distribution
The provision for distribution relates to distributions to be paid to stapled security holders on 5 March 2018. This distribution will be funded via drawdown on the existing Common Terms Deed loan facility.

Note 17 Contributed equity

	No. of units	$'000
On issue at 30 June 2017 - fully paid	146,105,439	262,640
On issue at 31 December 2017 - fully paid	146,105,439	262,640
On issue at 30 June 2016 - fully paid	146,105,439	262,640
On issue at 31 December 2016 - fully paid	146,105,439	262,640

A unit confers on its holder an undivided absolute, vested and indefeasible beneficial interest in the Trust as a whole, subject to Trust liabilities, not in parts or single assets. All units confer identical interests and rights. Each member registered at the record date has a vested and indefeasible interest in a share of the distribution in proportion to the number of units held by them. All issued units are fully paid.

Stapled securities
The units in the Trust are stapled to the shares in the Company and are referred to as "stapled securities". The stapled securities entitle the holder to participate in distributions and dividends and the proceeds on winding up of the HPI Group in proportion to the number of stapled securities held. On a show of hands every stapled security holder present at a meeting in person or by proxy, is entitled to one vote.

Note 17 Contributed equity (continued)

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 19.)

Note 18 Retained earnings

	31 December 2017 $'000	30 June 2017 $'000
Balance at the beginning of the period	124,729	72,709
Profit for the period	17,466	98,899
Distribution to stapled security holders	-	(32,421)
Provision for distribution to stapled security holders	(14,302)	(14,458)
Balance at the end of the period	127,893	124,729

Note 19 Reserves

	Cash flow hedge reserve $'000	Treasury share reserve $'000	Share based payment reserve $'000	Total $'000
Balance at 1 July 2017	-	186	(17)	169
Acquisition of shares	-	306	-	306
Recognition of share based payment expense	-	-	(30)	(30)
Balance at 31 December 2017	-	492	(47)	445
Balance at 1 July 2016	1,937	-	-	1,937
Effective portion of changes in fair value	(1,433)	-	-	(1,433)
Acquisition of shares	-	186	-	186
Recognition of share based payment expense	-	-	(8)	(8)
Balance at 31 December 2016	504	186	(8)	682

Hedging reserve

The hedging reserve comprise 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. The interest swap held by the Group was cancelled 19 July 2017 and as such the cash flow hedge reserve is Nil at 31 December 2017.

Treasury share reserve

The Treasury share reserve comprise the cost of the HPI Group's securities which were purchased on-market, and are held by the HPI Rights Plan Trust. At 31 December 2017, the HPI Group held 162,363 of the Company's securities (31 December 2017: 65,107).

Share based payment reserve

The share based payments reserve comprises amounts recognised under the long term incentive plan for executive employees 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 20 Net assets per stapled security

	31 December 2017	30 June 2017
Number of stapled securities on issue as at the end of the period	146,105,439	146,105,439
Less: Treasury securities	(162,363)	(65,107)
Adjusted number of stapled securities on issue as at the end of the period	145,943,076	146,040,332
Net assets at balance date	$390,088,000	$387,200,144
Per stapled security on issue	$2.67	$2.65

Note 21 Earnings per security

	31 December 2017	31 December 2016
Profit for the period	$17,466,000	$71,205,000
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	(162,363)	(65,107)
Weighted average number of securities	145,994,449	146,102,254
Basic and diluted earnings per security - cents	11.96	48.74

Note 22 Distributions

Distributions to stapled security holders	Total distribution $'000	No. of stapled securities	Distribution per stapled security cents
31 December 2017			
1 July 2017 to 31 December 2017	14,302	145,994,449	9.8
31 December 2016			
1 July 2016 to 31 December 2016	32,422	146,102,254	22.2

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

Note 23 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 2017 $'000		Carrying amount				Fair value			
	Note	Fair value hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value									
Trade and other receivables	9	-	396	-	396				
Cash and cash equivalents	8	-	1,132	-	1,132				
		-	1,528	-	1,528				
Financial liabilities measured at fair value									
Interest rate derivatives	15	-	-	-	-	-	-	-	-
		-	-	-	-				
Financial liabilities not measured at fair value									
Loans and borrowings	10	-	-	(255,886)	(255,886)				
Trade and other payables	14	-	-	(6,118)	(6,118)				
		-	-	(262,004)	(262,004)				

Note 23 Financial Instruments (continued)

30 June 2017 $'000	Note	Carrying amount: Fair value hedging instruments	Carrying amount: Loans and receivables	Carrying amount: Other financial liabilities	Carrying amount: Total	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
Financial assets not measured at fair value									
Trade and other receivables	9	-	225	-	225				
Cash and cash equivalents	8	-	1,135	-	1,135				
		-	1,360	-	1,360				
Financial liabilities measured at fair value									
Interest rate derivatives	15	(1,135)	-	-	(1,135)	-	(1,135)	-	(1,135)
		(1,135)	-	-	(1,135)				
Financial liabilities not measured at fair value									
Secured bank loans	14	-	-	(254,834)	(254,834)				
Trade and other payables	12	-	-	(4,423)	(4,423)				
		-	-	(259,257)	(259,257)				

Note 24 Contingent assets

The HPI Group is not aware of any contingent assets as at 31 December 2017 which may materially affect the operation of the business (30 June 2017: none).

Note 25 Contingent liabilities

The HPI Group is not aware of any contingent liabilities as at 31 December 2017 which may materially affect the operation of the business (30 June 2017: none).

Note 26 Commitments

The HPI Group has purchased two properties situated adjacent to the Regatta Hotel at 20 Sylvan Road and 8 Landsborough Terrace, Toowong, Queensland. The aggregate purchase price was $3.8 million and settled on 5 February 2018.
The HPI Group is not aware of any other commitments as at 31 December 2017 which may materially affect the operation of the business (30 June 2017: none).

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 $21.1 million (31 December 2016: $20.4 million) of the HPI Group's total revenues.

Note 28 Subsequent events

In February 2018 HPI Group contracted to acquire a Quest branded accommodation hotel located in Griffith, New South Wales, with a purchase price of $15.25 million plus costs. Settlement is scheduled to occur in March 2018. The acquisition will be 100% debt funded utilising the Group's bank debt facilities, the limit of which was increased by $23.1 million in February 2018.

No other item, transaction or event has occurred subsequent to 31 December 2017 that is likely in the opinion of the directors 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.

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 2017 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 21st day of February 2018

Independent Auditor's Review Report

To the stapled security holders of Hotel Property Investments

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Hotel Property Investments (the Stapled Group Half-year Financial Report).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Stapled Group Half-year Financial Report is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Stapled Group's*** financial position as at 31 December 2017 and of 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*.

The ***Half-year Financial Report*** of the Stapled Group comprises:

- Consolidated statement of financial position as at 31 December 2017
- 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 ***Stapled Group*** comprises, 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 and Hotel Property Investments Limited (the Company) 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 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 Stapled Group's financial position as at 31 December 2017 and its performance for the half-year period 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.

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

KPMG

KPMG

Dean Waters

Partner

Melbourne

21 February 2018

Corporate Directory

Hotel Property Investments

Hotel Property Investments Limited
ABN 25 010 330 515
Hotel Property Investments Trust
ARSN 166484377
Level 17, IBM Centre, 60 City Road
Southbank VIC 3006 Australia

Phone: (03) 9038 1774
Fax: (03) 8526 7430

www.hpitrust.com.au

Share Registry

Link Market Services
Tower 4, 727 Collins Street
Docklands VIC 3008 Australia

Phone (toll free within Australia): 1300 554 474
Fax: +61 2 9287 0303

www.linkmarketservices.com.au

Custodian

The Trust Company Limited
Level 12, Angel Place
123 Pitt Street
Sydney NSW 2001 Australia

Auditor

KPMG
Tower Two
Collins Square
727 Collins Street
Melbourne VIC 3008 Australia

Responsible Entity

Hotel Property Investments Limited
ABN 25 010 330 515
Level 17, IBM Centre, 60 City Road
Southbank VIC 3006 Australia

Company Secretary

Hotel Property Investments Limited
Blair Strik