

# INTERIM REPORT

FOR THE PERIOD ENDING  
31 DECEMBER 2021



HOTEL  
PROPERTY  
INVESTMENTS





Regatta Hotel

HOTEL PROPERTY INVESTMENTS (HPI)  
INTERIM REPORT 2022  
Half Year Report Six Months Ended 31 December 2021

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



Mi Hi Tavern  
Brassall QLD

# WELCOME

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RENT FROM  
INVESTMENT  
PROPERTIES  
UP 21.3% ON  
PRIOR PERIOD

**HPI**

# DIRECTORS' REPORT

Brighton Metro Hotel  
Brighton SA

# INTRODUCTION

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 2021.

The securities in the Company are stapled to the units in the Trust 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:

[https://www.hpitrust.com.au/wp-content/uploads/2021/11/hpi\\_corporate\\_governance\\_statement\\_appendix\\_4g\\_2021.pdf](https://www.hpitrust.com.au/wp-content/uploads/2021/11/hpi_corporate_governance_statement_appendix_4g_2021.pdf)



Beenleigh Tavern  
Eagleby QLD

## 1 Directors & Officers

The members of the Board of Directors of the Company in office during the half year ended 31 December 2021.

**Raymond Gunston (Chairman)**  
**Lachlan Edwards**  
**Giselle Collins**  
**Don Smith**

## 2 Principal Activities

The principal activity of the HPI Group consists of real estate investment in the 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

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

## 4 Distributions & Dividends

HPI Group has declared a distribution of 10.2 cents per stapled security for the half year ended 31 December 2021 and has made a provision for the interim distribution of \$19.6 million.

## 5 Matters Subsequent to the End of the Financial Half Year

Prior to 31 December 2021 HPI announced the acquisition of a portfolio of seven pubs in South Australia for a purchase price of \$66.1 million. Settlements on all seven pubs were completed on 14 February 2022.

In addition to the above, HPI has entered into contracts to sell both the Acacia Ridge Hotel and Royal Hotel for \$25 million and \$3.8 million respectively (excluding costs). The sale of Acacia

Ridge Hotel settled on 7 February 2022 and the Royal Hotel is expected to settle by 28 February 2022.

Other than the subsequent events described above, no item, transaction or event has occurred subsequent to 31 December 2021 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 & 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 predominately in Queensland, comprising pubs and associated speciality stores located on the pub sites.

### Impact of COVID 19 pandemic

The COVID-19 pandemic has and may continue to impact our people, our business and our tenants.

Some Australian states implemented restrictions on pubs and hotels that significantly affected the operations of our tenants. Although the closures have not materially impacted the financial performance of the HPI Group in the period to 31 December 2021, any on-going interruptions to our tenants' business may affect future financial years.

In May 2020 the HPI Group agreed to defer a portion of rent payable by the HPI Group's principal tenant, Queensland Venue Company, totalling approximately \$7.1 million (excluding GST) that would otherwise have been payable between April 2020 and September 2020. As at 31 December 2021 the unpaid rent deferred under this agreement is \$2.4 million (excluding GST) and is recognised in trade and other receivables. All payments of deferred rent under the agreement have been made when due and accordingly no provision for doubtful debts has been recognised in relation to this amount.

The HPI Group has also provided rent abatements for rent that would otherwise have been payable

between July 2021 and December 2021 to some specialty tenancies totalling \$0.4 million excluding GST. The HPI Group continues to monitor the circumstances of each tenant and may provide further abatements in future periods on a case-by-case basis.

### Half year performance

The HPI Group profit after tax for the six months ended 31 December 2021 was \$120.1 million. Operating revenues and expenses included rental income from investment properties of \$31.5 million, property cost recoveries of \$3.9 million, property outgoing costs of \$5.4 million, other trust and management costs of \$2.8 million, and financing costs of \$7.8 million. Additionally, there was a fair value gain on investment property of \$100.7 million.

At 31 December 2021, independent valuations were obtained for 26 properties. The remaining properties (30 properties) were 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. For properties not subject to independent valuation, market capitalisation rates were maintained constant at their previous independent valuation level. The current average capitalisation rate for the portfolio is 5.41%.

Adjusting profit after tax for fair value adjustments, non-cash finance costs and other minor items, the distributable earnings of the HPI Group were \$19.5 million. Adjusting further for maintenance capex of \$0.2 million the Adjusted Funds from Operations (AFFO) was \$19.2 million.

### Financial position

During the six months to December 2021, the HPI Group raised \$58.9 million in equity (before costs) via an institutional placement and share purchase plan. The funds raised were used to purchase the Edwardes Lake Hotel, Ball Court Hotel and the lease harmonisation program.

In December 2021, the HPI Group agreed a \$30.4 million Capital Expenditure Deed with QVC to fund the renovations of several pubs.

At 31 December 2021 the HPI Group's net assets were \$735.3 million representing net assets per

stapled security of \$3.82 (June 2021: \$3.30). Major assets and liabilities included cash on hand of \$3.7 million, investment property of \$1,146.8 million, short-term receivables of \$10.1 million, assets held for sale of \$28.5 million, borrowings of \$436 million and a provision for payment of distributions of \$19.6 million. During the period investment property fair value gains of \$100.7 million were recognised.

At 31 December 2021, the HPI Group's debt facilities of \$530 million were drawn to \$436.2 million, including \$310 million under the USPP and \$126.2 million under the Common Terms Deed. In addition guarantees totalling \$5.6 million have been issued from the HPI Group's bank guarantee facility.

### Risk management

The Company's Board concluded that the material risks to which the HPI Group is exposed remain consistent with those identified for the year ended 30 June 2021. The HPI Group continues to maintain a level of fixed rate debt to mitigate interest rate risk and continually monitors the Queensland regulatory environment. Details of the HPI Group's risk profile are outlined in the Directors' report for the year ended 30 June 2021

### 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 with our tenants 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
- leased to experienced tenants on favourable lease terms.

## Distributions

At 31 December 2021 the HPI Group made a provision of \$19.6 million for its interim distribution of 10.2 cents per stapled security. For the full year the HPI Group intends to distribute 100% of its full year Adjusted Funds From Operations ("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 and the distribution.

	31 December 2021
	\$'000
<b>Profit after income tax for the year</b>	<b>120,100</b>
<b>Plus/(Less): Adjustments for non-cash items</b>	
Fair value increments to investment properties	(100,727)
Straight line lease adjustment	(622)
Share-based payments expense	47
Abandoned transaction costs	149
Finance cost (non cash)	483
Income tax expense	66
<b>Total adjustments for non-cash items</b>	<b>(100,604)</b>
Distributable earnings	19,496
Less maintenance capital expenditure	(254)
<b>Adjusted funds from operations</b>	<b>19,242</b>
Distributions from capital	375
<b>Interim distribution from trading operations provided for</b>	<b>19,617</b>
	Cents
<b>Earnings and distribution per stapled security</b>	
Basic earnings	65.28
Diluted earnings	65.18
<b>Earnings available for distribution per security</b>	<b>10.00</b>
Interim distribution per security	10.20

## 7 Likely Developments

The HPI Group will continue to review the portfolio with a view to increasing distributions, whether by divesting properties and recycling the proceeds into higher returning properties, developing properties, or by acquiring new properties 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 11 and forms part of the Directors' report for the half year ended 31 December 2021.

## 9 Environment, Sustainability and Governance (ESG)

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.

As previously announced, we are in the process of preparing our first sustainability report for release at the end of FY22.

During the past six months, we have completed a detailed materiality assessment to define the ESG topics presenting the greatest potential risk to both our stakeholders and our ability to create long term value, such as energy, climate change, health and safety, employee diversity, tenants' sustainability and communities. We are engaging with key stakeholders, particularly tenants, to find more efficient and beneficial ways to work together on such matters. We have conducted a peer analysis to gain better visibility over ESG trends in our industry in Australia and overseas. Lastly, we have identified reporting frameworks of most relevance to our investors and other

audiences and are setting up processes to capture the data reporting will require.

Due to the long-term nature of our leases, our control over some aspects of our portfolio is limited, so we are focusing on areas of mutual interest to both HPI and our tenants. These partnerships will ensure a much bigger impact than if we focus only on what we can control ourselves. We will work closely with our tenants to improve performance on renewable energy, waste and recycling, water, responsible alcohol/ gambling, health and safety and legal compliance. Our engagement with tenants is already well under way and we will continue to explore and work on areas of mutual interest.

We look forward to sharing our progress with you at the end of FY22.

## 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



RAYMOND GUNSTON  
CHAIRMAN - MELBOURNE

Dated this 16th day of February 2022

ACQUISITION  
OF 2 PUBS  
DURING THE 6  
MONTHS TO 31  
DECEMBER 2021



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

To the Directors of Hotel Property Investments

I declare that, to the best of my knowledge and belief, in relation to the review of Hotel Property Investments for the half-year ended 31 December 2021 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

Rachel Milum

Rachel Milum  
Partner  
Sydney  
16 February 2022

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

		Six months to 31 December 2021	Six months to 31 December 2020
	Note	\$'000	\$'000
<b>REVENUE</b>			
Rent from investment properties		31,503	25,978
Revenue from outgoing recovered		3,918	2,793
<b>Total revenue</b>		<b>35,421</b>	<b>28,771</b>
<b>OTHER INCOME</b>			
Fair value adjustment to investment properties	11	100,727	13,948
Finance revenue		-	1
<b>Total other income</b>		<b>100,727</b>	<b>13,949</b>
<b>Total income from operating activities</b>		<b>136,148</b>	<b>42,720</b>
<b>OPERATING EXPENSES</b>			
Investment property outgoing and expenses		(5,446)	(4,561)
Other expenses	6	(2,764)	(2,026)
<b>Total expenses from operating activities</b>		<b>(8,210)</b>	<b>(6,587)</b>
<b>Profit from operating activities</b>		<b>127,938</b>	<b>36,133</b>
<b>NON-OPERATING EXPENSES</b>			
Finance costs	7	(7,772)	(6,210)
<b>Total non-operating expenses</b>		<b>(7,772)</b>	<b>(6,210)</b>
<b>Profit before tax</b>		<b>120,166</b>	<b>29,923</b>
Tax expense		(66)	(36)
<b>Profit for the year</b>		<b>120,100</b>	<b>29,887</b>
<b>Total comprehensive income</b>		<b>120,100</b>	<b>29,887</b>
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>			
Shareholders of the Company		161	206
Unitholders of the Trust		119,939	29,681
<b>Total comprehensive income attributable to the stapled Securityholders of HPI</b>		<b>120,100</b>	<b>29,887</b>
Basic earnings per security (cents)	20	65.28	18.66
Diluted earnings per security (cents)	20	65.18	18.64

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

		31 December 2021	30 June 2021
	Note	\$'000	\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	3,697	539
Trade and other receivables	9	10,160	6,012
Other assets	10	4,208	1,037
Assets held for sale	11	28,455	-
<b>Total current assets</b>		<b>46,520</b>	<b>7,588</b>
<b>Non-current assets</b>			
Investment property	11	1,146,798	952,508
Other assets	10	3,000	-
Plant and equipment		60	85
Right-of-use assets		527	581
Deferred tax assets		228	250
<b>Total non-current assets</b>		<b>1,150,613</b>	<b>953,424</b>
<b>TOTAL ASSETS</b>		<b>1,197,133</b>	<b>961,012</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	8,318	6,884
Employee benefit liabilities	13	169	152
Right-of-use liabilities		96	91
Provisions	15	19,617	16,905
<b>Total current liabilities</b>		<b>28,200</b>	<b>24,032</b>
<b>Non-current Liabilities</b>			
Loans and borrowings	14	433,035	361,297
Employee benefit liabilities	13	29	24
Lease liabilities		447	495
Deferred tax liability		132	151
<b>Total non-current liabilities</b>		<b>433,643</b>	<b>361,967</b>
<b>TOTAL LIABILITIES</b>		<b>461,843</b>	<b>385,999</b>
<b>NET ASSETS</b>		<b>735,290</b>	<b>575,013</b>
<b>EQUITY</b>			
Contributed equity	16	408,854	349,107
Retained earnings	17	327,012	226,529
Reserves	18	(576)	(623)
<b>TOTAL EQUITY</b>		<b>735,290</b>	<b>575,013</b>
<b>TOTAL EQUITY ATTRIBUTABLE TO:</b>			
Unitholders of the Trust		734,953	574,874
Securityholders of the Company		337	139
<b>TOTAL EQUITY</b>		<b>735,290</b>	<b>575,013</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to Unitholders of the Trust (Parent entity)		
		Contributed Equity	Retained Earnings	Total
		\$'000	\$'000	\$'000
<b>Balance at 1 July 2021</b>		<b>349,107</b>	<b>225,767</b>	<b>574,874</b>
<b>Comprehensive income for the year</b>				
Profit for the year		-	119,939	119,939
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>119,939</b>	<b>119,939</b>
<b>Transactions with owners in their capacity as owners recognised directly in equity</b>				
Issue of ordinary securities	16	57,403	-	57,403
Provision for distribution to stapled Securityholders	15	-	(19,617)	(19,617)
Distribution reinvestment plan	16	2,344	-	2,344
Share-based payment transactions	18	-	-	-
<b>Total transactions with owners</b>		<b>59,747</b>	<b>(19,617)</b>	<b>40,130</b>
<b>Balance at 31 December 2021</b>		<b>408,854</b>	<b>326,089</b>	<b>734,943</b>
<b>Balance at 1 July 2020</b>		<b>297,178</b>	<b>174,784</b>	<b>471,962</b>
<b>Total comprehensive income for the year</b>				
Profit for the year		-	29,681	29,681
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>29,681</b>	<b>29,681</b>
<b>Transactions with owners in their capacity as owners recognised directly in equity</b>				
Issue of ordinary securities	16	46,868	-	46,868
Provision for distribution to stapled Securityholders	15	-	(16,634)	(16,634)
Distribution reinvestment plan	16	2,040	-	2,040
Share-based payment transactions	18	-	-	-
Purchase of treasury securities	18	-	-	-
<b>Total transactions with owners</b>		<b>48,908</b>	<b>(16,634)</b>	<b>32,274</b>
<b>Balance at 31 December 2020</b>		<b>346,086</b>	<b>187,831</b>	<b>533,917</b>

\*Less than \$1,000

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

	Attributable to Securityholders of the Company (other stapled entity)				Total
	Contributed Equity	Retained Earnings	Reserves	Total	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
	*	762	(623)	139	575,013
	-	161	-	161	120,100
	-	161	-	161	120,100
	-	-	-	-	57,403
	-	-	-	-	(19,617)
	-	-	-	-	2,344
	-	-	47	47	47
	-	-	47	47	40,177
	*	923	(576)	347	735,290
	*	564	(530)	34	471,996
	-	206	-	206	29,887
	-	206	-	206	29,887
	-	-	-	-	46,868
	-	-	-	-	(16,634)
	-	-	-	-	2,040
	-	-	45	45	45
	-	-	(197)	(197)	(197)
	-	-	(152)	(152)	32,122
	*	770	(682)	88	534,005

## CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months to 31 Dec 2021	Six months to 31 Dec 2020
	Note	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Rent and outgoings from investment properties (GST Inclusive)		40,693	27,327
Payments to suppliers		(14,922)	(9,625)
Interest receipts - bank deposits		-	1
<b>Net cash from operating activities</b>		<b>25,771</b>	<b>17,703</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Payment for acquisition of investment properties		(39,260)	(43,086)
Deposits paid for acquisition of investment properties		(6,614)	(2,270)
Payment for plant and equipment additions		-	(14)
Payments for other non-current assets		(3,000)	-
Payment for additions to investment properties		(81,916)	(6,686)
<b>Net cash used in investing activities</b>		<b>(130,790)</b>	<b>(52,056)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		175,194	27,950
Repayments of borrowings		(103,883)	(21,150)
Proceeds from capital raising		57,403	46,868
Payment for treasury shares		-	(197)
Payment of borrowing costs		(5,933)	(5,974)
Payment of leasing liabilities		(43)	(48)
Payment of distributions		(14,561)	(13,173)
<b>Net cash from financing activities</b>		<b>108,177</b>	<b>34,276</b>
<b>Net increase / (decrease) in cash held</b>		<b>3,158</b>	<b>(77)</b>
Cash & cash equivalents at the beginning of the period		539	1,080
<b>Cash &amp; cash equivalents at the end of the period</b>	8	<b>3,697</b>	<b>1,003</b>

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

# HPI

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Chancellors Tavern  
Sippy Downs QLD



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## Note 1 REPORTING ENTITY

The consolidated financial report of Hotel Property Investments as at and for the half year ended 31 December 2021 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 interim financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated interim financial report also complies with the International Financial Reporting Standards (IFRS) and the interpretations adopted by the International Accounting Standards Board (IASB).

### (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
- other assets (non-current)

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 2021 was approved by the Directors on 16 February 2022.

### (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 2021 are described in the following notes:

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

### Note 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in this consolidated financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2021, with the addition of the following accounting policy for non-derivative financial assets acquired during the period:

#### Non-derivative financial assets – equity investment

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income (FVTOCI) as described above are measured at fair value through profit or loss (FVTPL). Financial assets measured at FVTPL are subsequently measured at fair value, net gains and losses, including any interest or dividend income, are recognised in profit or loss.

The HPI Group has not entered into any derivative or hedging instruments in the current or prior year.

### 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

Investment property is property held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are stated at fair value, which is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction and reflects market conditions at the reporting date. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

The HPI Group policy is to independently value at least one third of all properties each financial year. A greater number of valuations may be sought if the Board determines that circumstances have arisen that warrant it. The remainder of properties will be valued by the Directors. Where external valuation capitalisation rates have deteriorated, the Directors will apply the average market capitalisation expansion to the market capitalisation rates of the remaining investment properties in determining the Directors' valuations. Where external valuation market capitalisation rates have improved, the Directors will maintain the existing capitalisation rate and use the present net rent in determining the Directors' valuations. The Directors will also take into consideration any property nuances, specific market factors, property location, rent abatements and change in weighted average lease expiry before deciding on the final Directors' valuation.

#### (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. A Monte Carlo simulation model simulates the path of the security price according to a probability distribution assumption. After a large number of simulations, the arithmetic average of the outcomes, discounted to the valuation date, is calculated to represent the option value. 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.

### 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. 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

	Six months to 31 December 2021	Six months to 31 December 2020
	\$'000	\$'000
Advisory and legal fees	397	213
Auditor's remuneration	98	96
Directors' fees	206	246
Employment expenses	784	661
Insurance	297	303
All other expenses	982	507
	<b>2,764</b>	<b>2,026</b>

## Note 7 FINANCE EXPENSES

	Six months to 31 December 2021	Six months to 31 December 2020
	\$'000	\$'000
Interest expense	7,218	5,858
Borrowing costs	483	310
Other finance costs	71	42
	<b>7,772</b>	<b>6,210</b>

## Note 8 CASH AND CASH EQUIVALENTS

	31 December 2021	30 June 2021
	\$'000	\$'000
Cash at bank	3,697	539

## Note 9 TRADE AND OTHER RECEIVABLES

	31 December 2021	30 June 2021
	\$'000	\$'000
Trade receivables	3,687	6,012
Less: Allowance for impairment	(141)	-
<b>Net trade receivables</b>	<b>3,546</b>	<b>6,012</b>
Other receivables	6,614	-
<b>Trade and other receivables</b>	<b>10,160</b>	<b>6,012</b>

Other receivables as at 31 December 2021 is comprised entirely of deposit paid for acquisition of investment properties.

## Note 10 OTHER ASSETS

	31 December 2021	30 June 2021
	\$'000	\$'000
Other assets - current	4,208	1,037
	<b>4,208</b>	<b>1,037</b>
Other assets - non-current	3,000	-
	<b>3,000</b>	<b>-</b>

Other assets - current held at 31 December 2021 is comprised primarily of prepaid insurance. Other assets - non-current held at 31 December 2021 is an investment in the Harvest Hotels Pub Fund 2, an unlisted real estate investment trust which is focused on acquiring, redeveloping and operating regional pubs.

## Note 11 INVESTMENT PROPERTY

	31 December 2021	30 June 2021
	\$'000	\$'000
Investment property	1,146,798	952,508
Carrying amount at the beginning of the period	952,508	785,870
Acquisition of investment properties	39,260	103,076
Transfer to assets held for sale	(28,455)	-
Capital additions on investment properties	81,916	11,796
Straight line lease adjustment	842	736
Fair value adjustments	100,727	51,030
<b>Carrying amount at the end of the period</b>	<b>1,146,798</b>	<b>952,508</b>

Capital additions during the period includes the lease harmonisation project with major tenant, QVC, and further additions under HPI Group's capital works deed with QVC.

### Investment property

All investment properties are freehold and 100% owned by the Company as appointed sub-custodian of the HPI Trust, except for the Crown Hotel, Quest Griffith, Jubilee Tavern, Mango Hill Tavern, Surfair Beach Hotel, Capella Hotel, Commonwealth Hotel, White Bulla Tavern, Commercial Hotel, Grand Hotel and Acacia Ridge Hotel which are owned by wholly owned subsidiaries of the HPI Trust. Investment properties are comprised of land, buildings, fixed improvements and liquor and gaming licenses. Plant and equipment are 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.

### Fair value adjustments at 31 December 2021

Independent valuations were obtained for 26 investment properties as at 31 December 2021. These valuations were completed by CBRE Hotels Valuation & Advisory Services, Herron Todd White, Colliers International and Cushman & Wakefield Valuations. The remaining 30 investment properties were valued by the Directors in accordance with the HPI Group policy.

	31 December 2021	30 June 2021
Market capitalisation rate range at last independent valuation	4.25% - 9.00%	5.25% - 9.00%

### Fair value hierarchy

The fair value measurement for investment property of \$1,146.8 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 2021	30 June 2021
	\$'000	\$'000
Fair value as at beginning of the period	952,508	785,870
Acquisition of investment properties	39,260	103,076
Capital additions on investment properties	81,916	11,796
Straight line lease adjustment	842	736
Transfer to assets held for sale	(28,455)	-
<b>Carrying amount before revaluations</b>	<b>1,046,071</b>	<b>901,478</b>
Fair value as at end of the period	1,146,798	952,508
<b>Fair value gain for the period</b>	<b>100,727</b>	<b>51,030</b>

### 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 observable inputs and fair value measurement
Capitalisation of rent allowing for the following adjustments:		<b>The estimated fair value would increase/(decrease) if:</b>
	Net rent	Net rent was higher/(lower)
	Capitalisation rates	Capitalisation rates were lower/(higher)
	• Additional land	Additional land was higher/(lower) in value
	• Capital allowance	Capital allowance was smaller/(larger)
• Other property specific factors	Other property specific factors	Other property specific factors resulted in higher/(lower) value



## ASSETS OWNED AS AT 31 DECEMBER 2021

Property	Location	Note	31 December 2021		30 June 2021	
			Cap'n rate <sup>1</sup>	Fair value \$'000	Cap'n rate <sup>1</sup>	Fair value \$'000
Acacia Ridge Tavern	Acacia Ridge, QLD	8	4.44%	24,625	5.50%	20,200
Ball Court Hotel	Sunbury VIC	5	5.42%	7,620	n/a	n/a
Barron River Hotel	Stratford QLD	2	5.75%	5,450	6.75%	4,700
Beenleigh Tavern	Eagleby QLD	2	4.50%	20,400	6.25%	13,000
Berserker Tavern	Rockhampton QLD	2	6.50%	12,000	6.75%	11,400
Bonny View Tavern	Bald Hills QLD	4	6.00%	9,280	6.00%	8,920
Boomerang Motor Hotel	West Mackay QLD	3	6.75%	5,000	6.75%	5,200
Bribie Island Hotel	Bellara QLD	3	6.00%	26,400	6.00%	20,700
Brighton Hotel	Brighton QLD	2	4.50%	24,000	6.00%	15,300
Brighton Metro Hotel	Brighton SA	2	5.25%	21,100	5.75%	17,900
Caboolture Sundowner Hotel Motel	Caboolture QLD	2	4.50%	22,000	6.00%	14,900
Capella Hotel	Capella QLD	6	8.50%	3,340	8.50%	3,340
Chancellors Tavern	Sippy Downs QLD	3	5.25%	24,480	5.25%	18,300
Cleveland Sands Hotel	Cleveland QLD	2	4.50%	49,250	5.75%	35,500
Cleveland Tavern	Cleveland QLD	2	4.50%	25,800	6.00%	18,790
Club Hotel	Gladstone QLD	2	6.75%	7,600	7.00%	4,500
Commercial Hotel	Clermont QLD	6	9.00%	3,056	9.00%	3,056
Commonwealth Hotel	Roma QLD	6	7.60%	9,786	7.60%	9,786
Coomera Lodge Hotel	Oxenford QLD	3	5.75%	6,590	5.75%	2,800
Crown Hotel	Lutwyche QLD	2	5.25%	50,000	5.50%	45,000
Diamonds Inala Hotel (formerly New Inala hotel)	Inala QLD	3	5.25%	19,800	5.25%	17,000
Diamonds Tavern	Kallangur QLD	2	4.50%	16,600	6.00%	12,090
Dunwoodys Tavern	Cairns QLD	2	5.50%	33,500	5.75%	27,400
Edwardes Lake Hotel	Reservior VIC	5	5.00%	28,000	n/a	n/a
Empire Alternacade & Events (formerly Q Sports Bar)	Cairns QLD	2	5.25%	12,700	6.00%	11,100
Everton Park Hotel	Everton Park QLD	2	4.50%	41,300	5.75%	29,200
Ferry Road Tavern	Southport QLD	3	5.50%	40,800	5.50%	38,600
Fitzys Loganholme	Loganholme QLD	4	5.50%	32,200	5.50%	31,800
Fitzys Waterford	Waterford QLD	2	4.50%	29,400	5.50%	24,000
Grafton Hotel	Edmonton QLD	2	5.75%	9,300	6.50%	4,700
Grand Hotel	Clermont QLD	6	9.00%	2,780	9.00%	2,780

Property	Location	Note	31 December 2021		30 June 2021	
			Cap'n rate <sup>1</sup>	Fair value \$'000	Cap'n rate <sup>1</sup>	Fair value \$'000
Grand Junction Hotel	Pennington SA	2	5.50%	15,600	6.00%	12,400
Gregory Hills Hotel	Gregory Hills NSW	2	4.25%	52,400	5.50%	40,600
Hotel HQ	Underwood QLD	2	4.50%	38,580	5.75%	29,760
Jubilee Tavern	Airlie Beach QLD	2	6.00%	12,000	7.50%	9,300
Kings Beach Tavern	Caloundra QLD	2	6.00%	25,600	6.00%	20,900
Kooyong Motor Hotel	North Mackay QLD	2	7.50%	9,300	7.50%	8,520
Leichhardt Hotel	Rockhampton QLD	3	6.50%	10,100	6.50%	12,800
Lord Stanley Hotel	East Brisbane QLD	3	5.50%	14,100	5.50%	14,000
Magnums Tavern	Airlie Beach QLD	4	5.75%	30,500	5.75%	29,600
Mango Hill Tavern	Mango Hill QLD	2	5.00%	45,800	5.60%	32,050
Mi Hi Tavern	Brassal QLD	4	5.50%	24,500	5.50%	23,600
Palm Cove Tavern	Palm Cove QLD	4	5.50%	11,000	5.50%	11,000
Quest Griffith	Griffith NSW	2	7.50%	17,900	7.50%	17,400
Royal Hotel	West End QLD	8	7.00%	3,830	7.00%	3,830
Royal Mail Hotel	Tewantin QLD	4	6.00%	23,900	6.00%	23,900
Summerhill Hotel	Reservoir VIC	2	5.50%	32,500	6.90%	22,700
Surfair Beach Hotel	Marcoola QLD	7	7.00%	10,450	7.00%	10,450
The Hotel Allen	Northward QLD	4	7.00%	15,500	7.00%	12,700
The Regatta Hotel	Toowong QLD	4	5.75%	52,400	5.75%	51,000
The Wallaby Hotel	Mudgeeraba QLD	3	5.50%	22,040	5.50%	15,800
Tom's Tavern	Aitkenvale QLD	3	6.25%	23,800	6.25%	23,900
Trinity Beach Tavern	Trinity Beach QLD	4	6.25%	21,250	6.25%	20,690
Waterloo Tavern	Paralowie SA	4	5.75%	27,800	5.75%	24,800
White Bull Tavern	Roma QLD	6	7.60%	3,246	7.60%	3,246
Woodpecker Tavern	Burpengary QLD	2	4.50%	7,000	6.00%	5,600
<b>Total</b>			<b>5.39%</b>	<b>1,175,253</b>	<b>5.94%</b>	<b>952,508</b>
<b>Transfer to Current Assets</b>				(28,455)	-	-
<b>Total Investment Property</b>			<b>5.41%</b>	<b>1,146,798</b>	<b>5.94%</b>	<b>952,508</b>

1 Capitalisation rate at last independent valuation

2 Independent valuations obtained as at 31 December 2021

3 Independent valuations obtained as at 30 June 2021

4 Independent valuations obtained as at 31 December 2020

5 Acquired in October 2021

6 Acquired in June 2021

7 Acquired in April 2021

8 Classified as asset held for sale as at 31 December 2021



## Note 12 TRADE AND OTHER PAYABLES

	31 December 2021	30 June 2021
	\$'000	\$'000
<b>CURRENT</b>		
Trade payables	1,279	12
Accrued interest	4,131	2,759
Other payables	2,908	4,113
	<b>8,318</b>	<b>6,884</b>

## Note 13 EMPLOYEE BENEFIT LIABILITIES

	31 December 2021	30 June 2021
	\$'000	\$'000
Short-term employee benefits	134	122
Post-employment benefits	64	54
	<b>198</b>	<b>176</b>

### Represented as follows:

	31 December 2021	30 June 2021
Current liabilities	169	152
Non-current liabilities	29	24
	<b>198</b>	<b>176</b>

## Note 14 LOANS AND BORROWINGS

	31 December 2021	30 June 2021
	\$'000	\$'000
<b>NON-CURRENT</b>		
USPP Notes	308,323	228,980
Bank loans	124,712	132,317
	<b>433,035</b>	<b>361,297</b>

	31 December 2021	30 June 2021
	\$'000	\$'000
<b>U.S.PRIVATE PLACEMENT ("USPP") NOTES</b>		
USPP - drawn	310,000	230,000
Borrowing costs capitalised	(2,470)	(1,687)
Amortisation of borrowing costs	793	667
	<b>308,323</b>	<b>228,980</b>

The first three tranches of the USPP Note Purchase Agreement were executed on 8 August 2017 and funding occurred on 11 August 2017. Additionally, on 4 June 2021 the HPI Group priced a further A\$80 million of long-term debt via the USPP market in two separate tranches with the Note Purchase Agreement executed and funded on 10 August 2021.

In total, the USPP issue comprises five 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;
- **A\$100** million floating interest loan with a 10-year tenor, maturing in August 2027;
- **A\$40** million fixed interest loan with a 7-year tenor, maturing in August 2028; and
- **A\$40** million fixed interest loan with a 12-year tenor, maturing in August 2033.

### Bank Loans

	31 December 2021	30 June 2021
	\$'000	\$'000
<b>COMMON TERMS DEED ("CTD")</b>		
CTD - drawn	126,155	133,628
Borrowing costs capitalised	(2,426)	(1,994)
Amortisation of borrowing costs	898	470
Borrowing costs written off	85	213
<b>TOTAL CTD Loans</b>	<b>124,712</b>	<b>132,317</b>

There are two facilities, each bilaterally provided under the Common Terms Deed ("CTD") and totalling \$225.6 million as at 31 December 2021 of which \$5.6 million is a guarantee facility. Of these facilities, \$100 million expires on 24 December 2024 and \$125.6 million expires on 10 August 2024.

## Note 15 PROVISIONS

	31 December 2021	30 June 2021
	\$'000	\$'000
<b>PROVISION FOR DISTRIBUTION</b>		
Balance at the beginning of the period	16,905	15,213
Provisions made during the period	19,617	33,539
Provisions used during the period	(16,905)	(31,847)
<b>Balance at the end of the year</b>	<b>19,617</b>	<b>16,905</b>

### Distribution

The provision for distribution related to distributions to be paid to stapled security holders on 4 March 2022. This distribution will be funded via drawdown on the existing Common Terms Deed loan facility.

## Note 16 CONTRIBUTED EQUITY

	No. of Units	Issue Price \$	\$'000
On issue at 30 June 2021 – fully paid	174,551,384		349,107
Units issued under the DRP on 3 September 2021	733,990	3.1922	2,344
Units issued under capital raising	14,705,883	3.4000	50,000
Units issued under security purchase plan	2,608,406	3.4000	8,869
Transaction costs			(1,466)
<b>On issue at 31 December 2021 – fully paid</b>	<b>192,599,663</b>		<b>408,854</b>
On issue at 30 June 2020 – fully paid	157,046,556		297,178
Units issued under the DRP on 4 September 2020	709,180	2.8764	2,040
Units issued under capital raising	13,157,895	3.0400	40,000
Units issued under security purchase plan	2,631,628	3.0400	8,000
Transaction costs			(1,132)
<b>On issue at 31 December 2020 – fully paid</b>	<b>173,545,259</b>		<b>346,086</b>

### 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 in person or by proxy at a meeting is entitled to one vote.

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.

### 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).

### Distribution reinvestment plan (DRP)

The HPI Group has a Distribution Reinvestment Plan (DRP) whereby unitholders are free to choose the proportion of their distribution entitlements satisfied by the issue of new units rather than cash.

## Note 17 RETAINED EARNINGS

	31 December 2021	30 June 2021
	\$'000	\$'000
Balance at the beginning of the period	226,529	175,348
Profit for the period	120,100	84,720
Provision for distribution to stapled security holders	(19,617)	(33,539)
<b>Balance at the end of the period</b>	<b>327,012</b>	<b>226,529</b>

## Note 18 RESERVES

	Treasury Security Reserve	Share Based Payment Reserve	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2021	(855)	232	(623)
Recognition of share-based payment expense	-	47	47
<b>Balance at 31 December 2021</b>	<b>(855)</b>	<b>279</b>	<b>(576)</b>
Balance at 1 July 2020	(658)	128	(530)
Purchase of treasury shares	(197)	-	(197)
Recognition of share-based payment expense	-	45	45
<b>Balance at 31 December 2020</b>	<b>(855)</b>	<b>173</b>	<b>(682)</b>

### Treasury share reserve

The Treasury share reserve comprises 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 2021, the HPI Group held 278,069 of the Company's securities (31 December 2020: 278,069).

### Share-based payment reserve

The share-based payments reserve comprise 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 unvested 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 2021	30 June 2021
Number of stapled securities on issue as at the end of the period	192,599,663	174,551,384
Less: Treasury securities	(278,069)	(278,069)
Adjusted number of stapled securities on issue as at the end of the period	<b>192,321,594</b>	<b>174,273,315</b>
Net assets at balance date	735,290,000	575,013,000
<b>Per stapled security on issue</b>	<b>\$3.82</b>	<b>\$3.30</b>

## Note 20 EARNING PER SECURITY & STAPLED SECURITY

EARNINGS PER STAPLED SECURITY	31 December 2021	31 December 2020
Profit for the year attributable to stapled Securityholders	<b>\$120,100,000</b>	<b>\$29,887,000</b>
<b>Weighted average number of stapled securities</b>		
On issue at the beginning of the period	174,551,384	157,046,556
Add: Distribution reinvestment securities	477,294	457,285
Add: Capital raising securities	8,196,722	2,660,339
Add: Security purchase plan	1,026,258	201,327
Less: Effect of treasury securities held	(278,069)	(235,969)
<b>Weighted average number of securities</b>	<b>183,973,589</b>	<b>160,129,538</b>
Basic earnings per stapled security	65.28c	18.66c
Diluted earnings per stapled security	65.18c	18.64c

EARNINGS PER UNIT OF THE TRUST	31 December 2021	31 December 2020
Profit for the year attributable to the Unitholders of the Trust	<b>\$119,939,000</b>	<b>\$29,681,000</b>
Basic earnings per security	65.19c	18.54c
Diluted earnings per security	65.10c	18.51c

## Note 21 DISTRIBUTIONS

Distributions to Stapled Security Holders	Total Distribution \$'000	No. of Stapled Securities	Distribution per Stapled Securities (cents)
<b>31 December 2021</b>			
1 July 2021 to 31 December 2021	19,617	192,321,594	10.2
<b>31 December 2020</b>			
1 July 2020 to 31 December 2020	16,634	173,276,190	9.6

## 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.

31 December 2021	Carrying amount			Total
		Financial Assets	Other Financial Liabilities	
	Note	\$'000	\$'000	\$'000
<b>Financial assets not measured at fair value</b>				
Trade and other receivables	9	10,160	-	10,160
Cash and cash equivalents	8	3,697	-	3,697
		<b>13,857</b>	<b>-</b>	<b>13,857</b>
<b>Financial assets measured at fair value</b>				
Other assets	10	3,000	-	3,000
		<b>3,000</b>	<b>-</b>	<b>3,000</b>
<b>Financial liabilities not measured at fair value</b>				
Loans and borrowings	14	-	(433,035)	(433,035)
Trade and other payables	12	-	(8,318)	(8,318)
		<b>-</b>	<b>(441,353)</b>	<b>(441,353)</b>

30 June 2021	Carrying amount			Total
		Financial Assets	Other Financial Liabilities	
	Note	\$'000	\$'000	\$'000
<b>Financial assets not measured at fair value</b>				
Trade and other receivables	9	6,012	-	6,012
Cash and cash equivalents	8	539	-	539
		<b>6,551</b>	<b>-</b>	<b>6,551</b>
<b>Financial liabilities not measured at fair value</b>				
Loans and borrowings	14	-	(361,297)	(361,297)
Trade and other payables	12	-	(6,884)	(6,884)
		<b>-</b>	<b>(368,181)</b>	<b>(368,181)</b>

## Note 23 CONTINGENT ASSETS

The HPI Group is not aware of any contingent assets as at 31 December 2021 which may materially affect the operation of the business (30 June 2021: nil).

## Note 24 CONTINGENT LIABILITIES

The HPI Group has issued a bank guarantee as security over the office premises for \$78,304 (30 June 2021: \$78,304).

The Trust has issued a bank guarantee of \$5.5 million to the Company in its capacity of Responsible Entity (30 June 2021: \$5 million).

The HPI Group is not aware of any contingent liabilities as at 31 December 2021 which may materially affect the operation of the business (30 June 2021: nil).

## Note 25 COMMITMENTS

The HPI Group has committed to a \$30 million capital expenditure program across the portfolio over a two-year period which commenced on February 2020. As at 31 December 2021, \$9.5 million of the commitment remains (30 June 2021: \$17.6 million).

The HPI Group has also committed to purchasing a portfolio of seven pubs in South Australia for \$66.1m. Refer to Note 27 for further details.

Other than the commitments noted above, the HPI Group is not aware of any other commitments as at 31 December 2021 which may materially affect the operation of the business (30 June 2021: nil).

## Note 26 SEGMENT INFORMATION

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

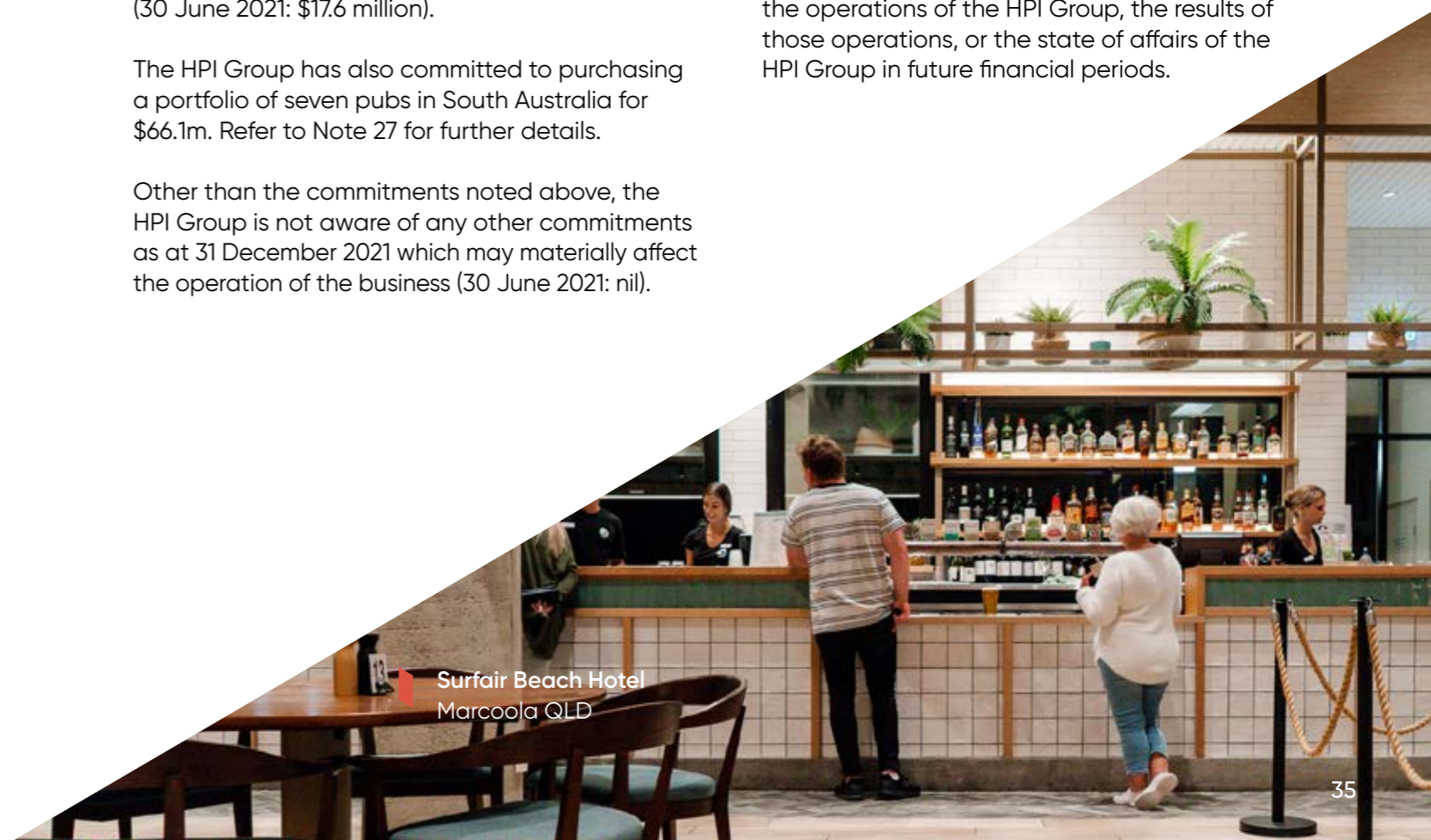
Revenues from AVC and QVC represented approximately \$24.0 million (31 December 2020: \$20.4 million) of the HPI Group's total revenues.

## Note 27 SUBSEQUENT EVENTS

Prior to 31 December 2021 HPI announced the acquisition of a portfolio of seven pubs in South Australia for a purchase price of \$66.1 million. Settlements on all seven pubs were completed on 14 February 2022.

In addition to the above, HPI has entered into contracts to sell both the Acacia Ridge Hotel and Royal Hotel for \$25 million and \$3.8 million respectively (excluding costs). The sale of Acacia Ridge Hotel settled on 7 February 2022 and the Royal Hotel is expected to settle by 28 February 2022.

Other than the subsequent events described above, no item, transaction or event has occurred subsequent to 31 December 2021 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.



Surfair Beach Hotel  
Maroocha QLD

# 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 12 to 35, 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 2021 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 Investments 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



RAYMOND GUNSTON  
CHAIRMAN – MELBOURNE  
Dated this 16th of February 2022

NTA GROWTH  
OF 26.9% SINCE  
30 JUNE 2021



Chancellors Tavern  
Sippy Downs QLD



## Independent Auditor's Review Report

To the stapled security holders of Hotel Property Investments

### Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Hotel Property Investments (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 does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Stapled Group's** financial position as at 31 December 2021 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** comprises:

- Consolidated statement of financial position as at 31 December 2021;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date;
- Notes 1 to 27 comprising a summary of significant accounting policies and other explanatory information;
- The Directors' Declaration.

The **Stapled Group** comprises, Hotel Property Investment 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.

### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Stapled Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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### 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
- 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 Responsibilities 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. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Stapled Group's financial position as at 31 December 2021 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*.

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

KPMG

Rachel Milum

Partner

Sydney

16 February 2022

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INVESTMENT  
PROPERTY  
PORTFOLIO  
VALUE INCREASE  
OF \$100.7M

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HOTEL  
PROPERTY  
INVESTMENTS

## CORPORATE DIRECTORY

### *Hotel Property Investments*

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### *Auditor*

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### *Responsible Entity*

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60 City Road Southbank VIC 3006 Australia

### *Company Secretary*

**Blair Strik**  
Hotel Property Investments Limited