

**Appendix 4D**  
**Half Year Report**  
**Six Months Ended**  
**31 December 2022**

ABN 25 010 330 515

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 2022 to 31 December 2022 (previous corresponding period 1 July 2021 to 31 December 2021)

**Results for announcement to the market**

	<b>Six Months Ended 31 December 2022</b>	<b>Six Months Ended 31 December 2021</b>	<b>Variance %</b>
Rent revenue from investment properties (A\$'000)	35,264	31,503	11.94%
Fair value adjustments to investment properties (A\$'000)	(27,220)	100,727	(127.02%)
Total income from operating activities (A\$'000)	12,844	136,148	(90.57%)
Profit for the period from operating activities after tax attributable to stapled security holders (A\$'000)	3,931	127,872	(96.93%)
(Loss)/profit for the period attributable to stapled security holders (A\$'000)	(7,940)	120,100	(106.61%)
Interim trust distribution amount per stapled security (cents)	9.2	10.2	(9.80%)
Interim dividend amount per stapled security (cents)	0.0	0.0	-
Total distribution payable for half year (A\$'000)	17,850	19,617	(9.01%)
Record date for determining entitlements to trust distribution	30 December 2022	31 December 2022	
Payment date for trust distribution	3 March 2023	4 March 2022	

**Explanation of Results**

- Rent revenue increased by \$3.8 million (11.94%) primarily due to:
  - The impact of the properties acquired in the previous financial year, including The Avenues Café & Bar, The Unley, The Duck, Mick O'Shea's Hotel, The Mile End Hotel, The West End Hotel and the Victoria Hotel (Strathalbyn);
  - additional revenue from the FY23 capital expenditure program; and
  - underlying contractual rent increases averaging 3-4%.
- Total income decreased by 90.57% primarily due to the fair value loss on investment properties of \$27.2 million (\$100.7 million gain in prior period) being recognised across the portfolio which has been partly offset by rental revenue increases, and acquisitions.

**Other Details**

	<b>31 December 2022</b>	<b>30 June 2022</b>	<b>Variance %</b>
Net Tangible Assets per security	\$4.06	\$4.19	(3.26%)
<ul style="list-style-type: none"> <li>No special distribution has been made in the current period.</li> <li>There was a distribution reinvestment plan (DRP) in operation for the period for the June 2022 distribution. The DRP has since been suspended.</li> <li>There were no associates or joint venture entities during the period.</li> </ul> <p>The financial information provided in the Appendix 4D is based on the Half Year Report (attached).</p>			

**Review**

This report is based on the half-year report which has been reviewed by KPMG. A copy of the Hotel Property Investments Half-Year Report is attached.

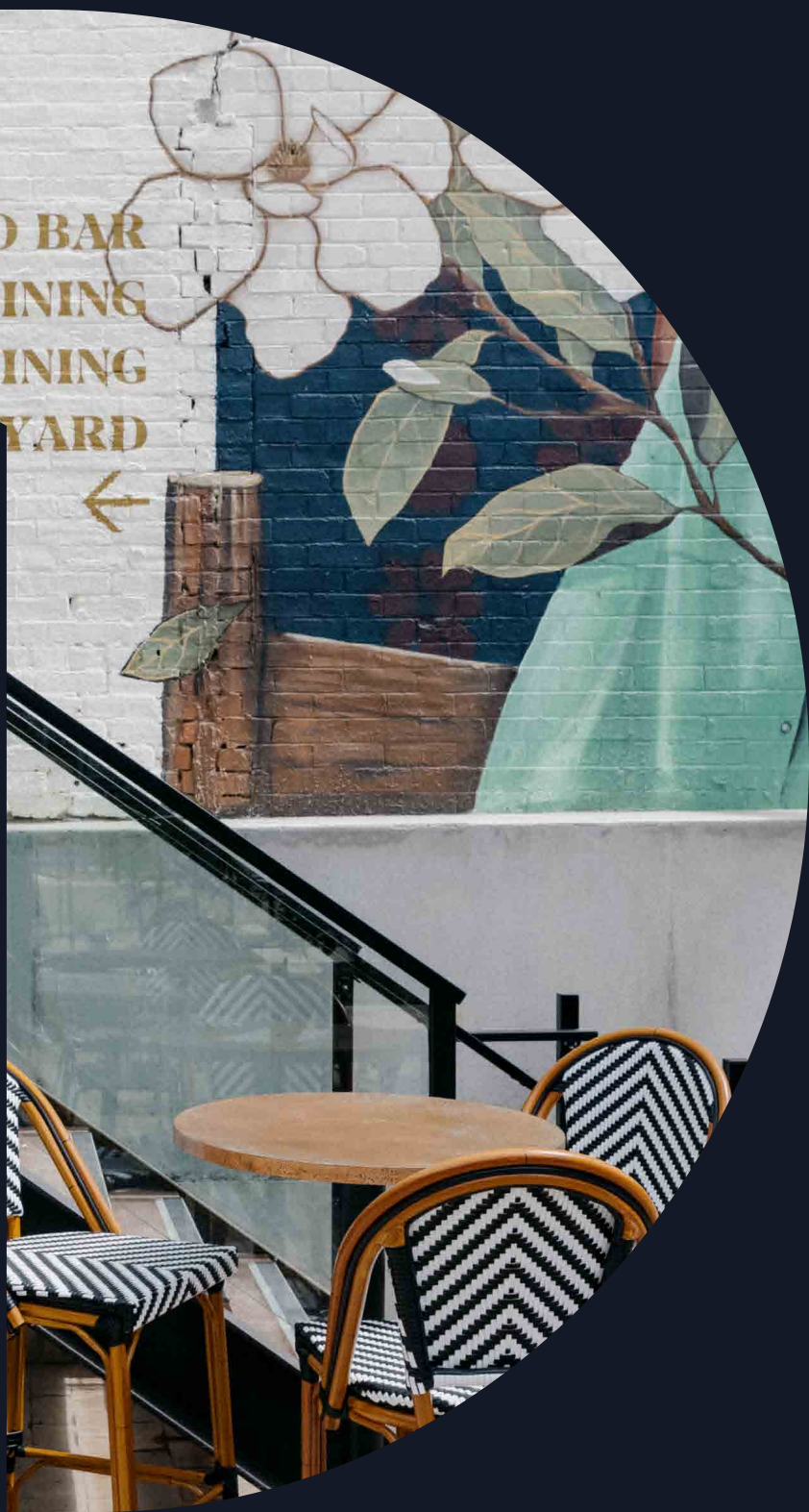
For personal use only

# INTERIM REPORT

FOR THE PERIOD ENDING  
31 DECEMBER 2022



HOTEL  
PROPERTY  
INVESTMENTS





Personal use only

Hotel Property Investments (HPI)  
Half Year Report for the Six Months Ended  
31 December 2022

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





Crown Hotel  
Lutwyche QLD

# WELCOME TO HPI

## CONTENTS

DIRECTORS' REPORT	2
LEAD AUDITOR'S INDEPENDENCE DECLARATION	10
CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME	12
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	13
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	14
CONSOLIDATED STATEMENT OF CASH FLOWS	16
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	17
DIRECTORS' DECLARATION	36
INDEPENDENT AUDITOR'S REVIEW REPORT	37
CORPORATE DIRECTORY	40



RENT FROM  
INVESTMENT  
PROPERTIES  
UP 11.9% ON  
PRIOR PERIOD



# DIRECTORS' REPORT



# 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 the Trust, Hotel Property Investments Limited ('the Company') and their controlled entities (together 'the HPI Group') for the half year ended 31 December 2022.

The securities in the Company are stapled to the units in the Trust and cannot be traded or dealt with separately.

The Responsible Entity for the Trust 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 VIC 3006 Australia**

# CORPORATE GOVERNANCE

A copy of HPI Group's Corporate Governance Statement is available on HPI Group's website at:

[hpitrust.com.au/governance/](https://hpitrust.com.au/governance/)

NET ASSETS  
TOTTALLING  
\$786.8m AS AT  
31 DECEMBER 2022



Dunwoodys Tavern  
Cairns QLD



## DIRECTORS & OFFICERS

The members of the Board of Directors of the Company in office during the half year ended 31 December 2022.

**Ray Gunston** (ceased 5 July 2022)

**Giselle Collins**

**Lachlan Edwards**

**Anne Michaels** (appointed 2 December 2022)

**Don Smith**

## 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.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

## DISTRIBUTIONS & DIVIDENDS

HPI Group has declared a distribution of 9.2 cents per stapled security for the half year ended 31 December 2022 and has made a provision for the interim distribution of \$17.9 million.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF YEAR

In February 2023, HPI entered into contracts to purchase the Cornerstone Tavern in Western Australia and the Strand Hotel in Queensland for a purchase price of \$4 million and \$9.3 million respectively (excluding costs).

Other than the matter above there have been no items, transactions or events that have occurred subsequent to 31 December 2022 that are 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.

## 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.

### Half Year Performance

The HPI Group loss after tax for the six months ended 31 December 2022 was \$7.9 million. Operating revenues and expenses included rental income from investment properties of \$35.3 million, property cost recoveries of \$4.7 million, property outgoing costs of \$6.6 million, other trust and management costs of \$2.3 million, and financing costs of \$11.9 million. Additionally, there was a fair value loss on investment properties of \$27.2 million.

At 31 December 2022, independent valuations were obtained for 47 properties. The remaining 11 properties (excluding the Hotel Allen which is classified as held for sale) 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. The capitalisation rates of properties which were not independently valued during the period remain unchanged from their previous valuation. The current average capitalisation rate for the portfolio is 5.33%.

Adjusting loss after tax for fair value adjustments, non-cash finance costs and other minor items, the distributable earnings of the HPI Group were \$19.1 million. Adjusting further for maintenance capex of \$0.1 million the Adjusted Funds from Operations (AFFO) was \$19.0 million.

### Financial Position

At 31 December 2022 the HPI Group's net assets were \$786.8 million representing net assets per stapled security of \$4.06 (June 2022: \$4.19). Major assets and liabilities included cash on hand of \$0.9 million, investment property of \$1,239 million, short-term receivables of \$0.6 million, other current assets of \$5.1 million, assets held for sale of \$15.2 million, borrowings of \$446.7 million and a provision for payment of distributions of \$17.9 million. During the period an investment property fair value net loss of \$27.2 million was recognised.

At 31 December 2022, the HPI Group's total borrowing facilities of \$530 million were drawn to \$449.1 million including \$310 million under the USPP and \$139.1 million under the Common Terms Deed.

### 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 2022. These key risks include interest rate risk, market risk and regulatory risk.

#### Interest rate risk

The HPI Group's debt strategy has been to utilise the US Private Placement market which provides significant tenor and fixed rate debt in Australian Dollars. The HPI Group's weighted average debt maturity tenor is 3.6 years, with facility maturities between 2024 and 2033. \$210 million (47% at balance date) of debt is at fixed rates, with a weighted average fixed period of 5.0 years and a weighted average fixed rate of 4.68%.

#### Market risk

External valuations have been performed for 47 of the 59 assets held at 31 December 2022. The weighted average capitalisation rate has increased from 5.21% at June 2022 to 5.33% at December 2022 (including assets held for sale).

The HPI Group's significant capital works programs over the past two years have improved the quality of the portfolio as well as increasing rental income.

#### Regulatory Risk

The HPI Group continually monitors the regulatory environment in the markets that we operate.

Further details of the HPI Group's risk profile are outlined in the Directors' report for the year ended 30 June 2022.

### Business Strategies & Prospects

The HPI Group's key financial goal is to improve cash distributions to stapled security holders whilst maintaining the key attributes of the business and appropriate risk management settings.

The HPI Board and Management have actively managed the portfolio, acquiring 16 properties and selling 4 non-core properties since December 2020.

The HPI Group has further added to distributions with the development of surplus land at Ferry Road, Southport and rentalised capital expenditure with our primary tenants, Queensland Venue Company and Australian Venue Company.

Distribution growth may be achieved organically from contracted annual rent increases. Greater than 70% of rental income is subject to rent reviews linked in some way to CPI with the primary mechanism being the lower of 2 times CPI of 4%.

The HPI Group's weighted average debt maturity tenor is 3.6 years, with facility maturities between 2024 and 2033. \$210 million (47% at balance date) of debt is at fixed rates, with a weighted average fixed period of 5.0 years and a weighted average fixed rate of 4.68%.

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 2022 the HPI Group made a provision of \$179 million for its interim distribution of 9.2 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 / (loss) 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.

A portion of the AFFO has not been distributed due to the timing of recognition of expenses across the financial year. For the financial year ended 30 June 2023, the HPI Group intends to distribute 100% of AFFO generated during the financial year.

	31 December 2022
	\$'000
Loss after income tax for the period	(7,940)
<b>Plus/(Less): Adjustments for non-cash items</b>	
Fair value adjustments to investment properties	27,220
Straight line lease adjustment	(640)
Share based payments expense	58
Abandoned transaction costs	-
Finance costs - non-cash	386
Income tax expense	41
<b>Total adjustments for non-cash items</b>	<b>27,065</b>
Distributable earnings	19,125
Less maintenance capital expenditure	(165)
<b>Adjusted funds from operations</b>	<b>18,960</b>
Amount not distributed	(1,110)
<b>Interim Distribution from trading operations provided for</b>	<b>17,850</b>

	Cents
<b>Earnings and distribution per stapled security:</b>	
Basic earnings	(4.10)
Diluted earnings	(4.09)
Interim distribution per security	9.2

## LIKELY DEVELOPMENTS

The HPI Group will continue to review the portfolio with the aim of increasing distributions, whether by divesting properties and recycling the proceeds into higher returning properties, developing properties, or by acquiring new properties at appropriate prices.

## 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 10 and forms part of the Directors' report for the half year ended 31 December 2022.

## ENVIRONMENT, SUSTAINABILITY & 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.

During the 2022 financial year, HPI performed a detailed appraisal of the key ESG areas which are applicable to the organisation in a separate sustainability report outlining the key focus areas which have been identified as relevant to HPI's operations and was released in October 2022.

## 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.



**GISELLE COLLINS**  
Chairman

Melbourne, Australia  
Dated this 16th day of February 2023





# 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 2022 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 Gatt  
Rachel Gatt  
Partner  
Sydney  
16 February 2023

KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.



The Regatta Hotel  
Toowong QLD



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

		31 December 2022	31 December 2021
	Note	\$'000	\$'000
<b>Revenue</b>			
Rent from investment properties		35,264	31,503
Revenue from outgoings recovered		4,746	3,918
<b>Total revenue</b>		<b>40,010</b>	<b>35,421</b>
<b>Other Income</b>			
Fair value adjustment to investment properties	12	(27,220)	100,727
Finance revenue		54	-
<b>Total other income</b>		<b>(27,166)</b>	<b>100,727</b>
<b>Total income from operating activities</b>		<b>12,844</b>	<b>136,148</b>
<b>Operating Expenses</b>			
Investment property outgoings and expenses		(6,591)	(5,446)
Other expenses	6	(2,281)	(2,764)
<b>Total expenses from operating activities</b>		<b>(8,872)</b>	<b>(8,210)</b>
<b>Profit from operating activities</b>		<b>3,972</b>	<b>127,938</b>
<b>Non-Operating Expenses</b>			
Finance costs	7	(11,871)	(7,772)
<b>Total non-operating expenses</b>		<b>(11,871)</b>	<b>(7,772)</b>
<b>(Loss) / profit before tax</b>		<b>(7,899)</b>	<b>120,166</b>
Tax expense		(41)	(66)
<b>(Loss) / profit for the period</b>		<b>(7,940)</b>	<b>120,100</b>
<b>Total comprehensive (loss) / income</b>		<b>(7,940)</b>	<b>120,100</b>
<b>Profit / (Loss) For The Period Attributable To:</b>			
Shareholders of the Company		132	161
Unitholders of the Trust		(8,072)	119,939
<b>Total comprehensive income attributable to the stapled security holders of HPI</b>		<b>(7,940)</b>	<b>120,100</b>
Basic earnings per security (cents)	21	(4.10)	65.28
Diluted earnings per security (cents)	21	(4.09)	65.18

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 2022	30 June 2022
	Note	\$'000	\$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	930	837
Trade and other receivables	9	594	1,118
Other current assets	10	5,138	1,407
Assets held for sale	11	15,185	34,815
<b>Total current assets</b>		<b>21,847</b>	<b>38,177</b>
<b>Non-Current Assets</b>			
Investment property	12	1,238,987	1,261,420
Other non-current asset	10	5,000	5,000
Plant and equipment		53	57
Right-of-use assets		420	474
Deferred tax assets		216	213
<b>Total non-current assets</b>		<b>1,244,676</b>	<b>1,267,164</b>
<b>Total assets</b>		<b>1,266,523</b>	<b>1,305,341</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	14,375	10,397
Employee benefit liabilities	14	217	176
Lease liabilities		103	100
Provisions	16	17,850	19,902
<b>Total current liabilities</b>		<b>32,545</b>	<b>30,575</b>
<b>Non-Current Liabilities</b>			
Loans and borrowings	15	446,669	464,233
Employee benefit liabilities	14	52	40
Lease liabilities		343	396
Deferred tax liabilities		105	124
<b>Total non-current liabilities</b>		<b>447,169</b>	<b>464,793</b>
<b>Total liabilities</b>		<b>479,714</b>	<b>495,368</b>
<b>Net assets</b>		<b>786,809</b>	<b>809,973</b>
<b>EQUITY</b>			
Contributed equity	17	414,587	412,027
Retained earnings	18	372,666	398,456
Reserves	19	(444)	(510)
<b>Total equity</b>		<b>786,809</b>	<b>809,973</b>
<b>Total Equity Attributable To:</b>			
Unitholders of the Trust		786,329	809,691
Securityholders of the Company		480	282
<b>Total equity</b>		<b>786,809</b>	<b>809,973</b>

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



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to Unitholders of the Trust (Parent entity)				Attributable to Securityholders of the Company (other stapled entity)				
		Contributed Equity	Retained Earnings	Total		Contributed Equity	Retained Earnings	Reserves	Total	Contributed Equity
	Note	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022		412,027	397,664	809,691		*	792	(510)	282	809,973
Comprehensive income for the period										
(Loss) / profit for the period		-	(8,072)	(8,072)		-	132	-	132	(7,940)
Total comprehensive income for the period		-	(8,072)	(8,072)		-	132	-	132	(7,940)
Transactions With Owners In Their Capacity As Owners Recognised Directly In Equity										
Provision for distribution to stapled Securityholders	19	-	(17,850)	(17,850)		-	-	-	-	(17,850)
Distribution reinvestment plan	17	2,560	-	2,560		-	-	-	-	2,560
Share-based payment transactions	19	-	-	-		-	-	58	58	58
Purchase of Treasury securities	19	-	-	-		-	-	(112)	(112)	(112)
Treasury shares granted as remuneration		-	-	-		-	-	120	120	120
Total transactions with owners		2,560	(17,850)	(15,290)		-	-	66	66	(15,224)
Balance at 31 December 2022		414,587	371,742	786,329		*	924	(444)	480	786,809
Balance at 1 July 2021		349,107	225,767	574,874		*	762	(623)	139	575,013
Total comprehensive income for the period										
Profit for the year		-	119,949	119,949		-	161	-	161	120,100
Total comprehensive income for the period		-	119,949	119,949		-	161	-	161	120,100
Transactions With Owners In Their Capacity As Owners Recognised Directly In Equity										
Issue of ordinary securities	17	57,403	-	57,403		-	-	-	-	57,403
Provision for distribution to stapled Securityholders	19	-	(19,617)	(19,617)		-	-	-	-	(19,617)
Distribution reinvestment plan	17	2,344	-	2,344		-	-	-	-	2,344
Share-based payment transactions	19	-	-	-		-	-	47	47	47
Purchase of Treasury securities	19	-	-	-		-	-	-	-	-
Total transactions with owners		59,747	(19,617)	40,130		-	-	47	47	40,177
Balance at 31 December 2021		408,854	326,099	734,953		*	923	(576)	337	735,290

\* Less than \$1,000.

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



CONSOLIDATED STATEMENT OF CASH FLOWS

		31 December 2022	31 December 2021
	Note	\$'000	\$'000
<b>Cash Flows From Operating Activities</b>			
Rent and outgoings from investment properties (GST inclusive)		43,861	40,693
Payments to suppliers (GST inclusive)		(14,119)	(14,922)
Interest receipts bank deposits		54	-
Income tax paid		(10)	-
<b>Net cash from operating activities</b>		<b>29,786</b>	<b>25,771</b>
<b>Cash Flows From Investing Activities</b>			
Payment for acquisition of investment properties		-	(39,260)
Deposit for acquisition of investment properties		-	(6,614)
Proceeds from sale of investment properties & assets held for sale		25,459	-
Payments for other non-current assets		-	(3,000)
Payment for additions to investment properties		(9,814)	(81,916)
<b>Net cash from / (used in) investing activities</b>		<b>15,645</b>	<b>(130,790)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from borrowings		33,698	175,194
Repayments of borrowings		(51,650)	(103,883)
Proceeds from capital raising		-	57,403
Payment of borrowing costs		(9,994)	(5,933)
Payment of leasing liabilities		(50)	(43)
Payment of distributions		(17,342)	(14,561)
<b>Net cash (used in) / from financing activities</b>		<b>(45,338)</b>	<b>108,177</b>
<b>Net increase in cash held</b>		<b>93</b>	<b>3,158</b>
Cash and cash equivalents at the beginning of the period		837	539
<b>Cash and cash equivalents at the end of the period</b>	8	<b>930</b>	<b>3,697</b>

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



NOTES TO THE  
CONSOLIDATED  
FINANCIAL  
STATEMENTS





Kings Beach Tavern  
Caloundra QLD

<b>Note 1</b>	Reporting Entity	19
<b>Note 2</b>	Basis of Preparation	19
<b>Note 3</b>	Significant Accounting Policies	20
<b>Note 4</b>	Determination Of Fair Values	20
<b>Note 5</b>	Stapling	20
<b>Note 6</b>	Other Expenses	21
<b>Note 7</b>	Finance Expenses	21
<b>Note 8</b>	Cash & Cash Equivalents	21
<b>Note 9</b>	Trade & Other Receivables	22
<b>Note 10</b>	Other Current / Non-Current Assets	22
<b>Note 11</b>	Assets Held For Sale	22
<b>Note 12</b>	Investment Property	23
<b>Note 13</b>	Trade & Other Payables	28
<b>Note 14</b>	Employee Benefit Liabilities	28
<b>Note 15</b>	Loans & Borrowings	29
<b>Note 16</b>	Provisions	30
<b>Note 17</b>	Contributed Equity	30
<b>Note 18</b>	Retained Earnings	31
<b>Note 19</b>	Reserves	32
<b>Note 20</b>	Net Assets Per Stapled Security	32
<b>Note 21</b>	Earning Per Security	33
<b>Note 22</b>	Distributions	33
<b>Note 23</b>	Financial Instruments	34
<b>Note 24</b>	Contingent Assets	35
<b>Note 25</b>	Contingent Liabilities	35
<b>Note 26</b>	Commitments	35
<b>Note 27</b>	Segment Information	35
<b>Note 28</b>	Subsequent Events	35

## Note 1 REPORTING ENTITY

The consolidated financial report of Hotel Property Investments as at and for the half year ended 31 December 2022 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

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 2022 was approved by the Directors on 16 February 2023.

### c) Functional & 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 2022 are described in the following notes:

- Note 4(a) & Note 12; Investment Property
- Note 4(c) and Note 23; Financial Instruments

### e) Working Capital

As at 31 December 2022, the HPI Group had an excess of current liabilities over current assets of \$10.7 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 and has sufficient undrawn committed debt facilities 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 Group in its consolidated financial report as at and for the year ended 30 June 2022.

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 consider if the average market capitalisation expansion appropriately applies 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, in the first instance,

maintain the existing capitalisation rate and use the present net rent in determining the Directors' valuations. However, in the circumstance where the general improvements in market capitalisation rates in the external valuations is assessed to be relevant and significant to properties under Directors' valuation, a greater number of external valuations will be sought for consideration.

Importantly, the Directors will 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

Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

### 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

	31 December 2022	31 December 2021
	\$'000	\$'000
Advisory and legal fees	310	397
Auditor's remuneration	123	98
Directors' fees	178	206
Employment expenses	835	784
Insurance	347	297
All other expenses	488	982
	<b>2,281</b>	<b>2,764</b>

### Note 7 FINANCE EXPENSES

	31 December 2022	31 December 2021
	\$'000	\$'000
Interest expense	11,410	7,218
Amortised borrowing costs	386	483
Other finance costs	75	71
	<b>11,871</b>	<b>7,772</b>

### Note 8 CASH & CASH EQUIVALENTS

	31 December 2022	30 June 2022
	\$'000	\$'000
Cash at bank	930	837

## Note 9 TRADE & OTHER RECEIVABLES

	31 December 2022	30 June 2022
	\$'000	\$'000
Trade receivables	617	1,097
Less: Allowance for impairment	(23)	(9)
Net trade receivables	594	1,088
Other receivables	-	30
	<b>594</b>	<b>1,118</b>

## Note 10 OTHER CURRENT / NON-CURRENT ASSETS

	31 December 2022	30 June 2022
	\$'000	\$'000
Other current assets	5,138	1,407
Other non-current assets	5,000	5,000

Other current assets held at 31 December 2022 is comprised primarily of prepaid insurance.

Other non-current assets held at 31 December 2022 are investments in the Harvest Hotels Pub Fund 2 and ACRE Commercial Income Fund 2. Both assets are investments in unlisted real estate investment trusts which is focused on acquiring, redeveloping and operating pubs.

## Note 11 ASSETS HELD FOR SALE

	31 December 2022	30 June 2022
	\$'000	\$'000
Assets held for sale	15,185	34,815

The Hotel Allen has been classified as held for sale since 30 June 2022. The Royal Hotel and Lord Stanley Hotel which were also classified as held for sale as at 30 June 2022 were disposed by 31 December 2022.

## Note 12 INVESTMENT PROPERTY

	31 December 2022	30 June 2022
	\$'000	\$'000
Investment property	<b>1,238,987</b>	<b>1,261,420</b>
Carrying amount at the beginning of the period	1,261,420	952,508
Acquisition of investment properties	-	105,648
Disposal of investment properties	(6,046)	(24,600)
Transfer to assets held for sale	-	(34,815)
Capital additions on investment properties	10,193	89,921
Straight line lease adjustment	640	1,444
Fair value adjustments	(27,220)	171,314
Carrying amount at the end of the period	<b>1,238,987</b>	<b>1,261,420</b>

### 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 and the Grand Hotel which are owned by wholly owned subsidiaries of the HPI Trust. Investment properties 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 2022

Independent valuations were obtained for 47 investment properties as at 31 December 2022. These valuations were completed by Opteon, JLL and Cushman & Wakefield Valuations.

The remaining 11 investment properties (excluding the Hotel Allen which is classified as held for sale) were valued by the Directors in accordance with the HPI Group policy. The fair value adjustment as at 31 December 2022 resulted in a fair value loss of \$27.2 million, which includes \$5 million loss on the Leichhardt Hotel which is now being treated on a redevelopment basis, for assets classified as Investment Properties.

	December 2022	June 2022
Market capitalisation rate range at last independent valuation	<b>4.50% - 8.75%</b>	<b>4.25% - 8.75%</b>



Fair Value Hierarchy

The fair value measurement for investment property of \$1,239 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 2022	30 June 2022
	\$'000	\$'000
Fair value as at beginning of the period	1,261,420	952,508
Capital additions on investment properties	10,193	89,921
Acquisition of investment properties	-	105,648
Disposal of investment properties	(6,046)	(24,600)
Transfer to assets held for sale	-	(34,815)
Straight line lease adjustment	640	1,444
Carrying amount before revaluations	1,266,207	1,090,106
<b>Fair value as at end of the period</b>	<b>1,238,987</b>	<b>1,261,420</b>
Fair value adjustment for the period	(27,220)	171,314

Valuation Technique & 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 & Fair Value Measurement
Capitalisation of rent allowing for the following adjustments:	Net rent	The estimated fair value would increase / (decrease) if: Net rent was higher / (lower)
	Capitalisation rates	Capitalisation rates were lower / (higher)
	Additional land	Additional land was higher / (lower) in value
• Additional land	Capital allowances	Capital allowance was smaller / (larger)
• Capital allowance	Other property specific factors	Other property specific factors resulted in higher / (lower) value
• Other property specific factors including rent abatements		



PORTFOLIO  
OF 59  
PROPERTIES  
VALUED AT  
\$1.2b\*

\* Including assets held for sale

Brighton Metro Hotel  
Brighton SA



ASSETS OWNED AS AT 31 DECEMBER 2022

			31 December 2022		30 June 2022	
Property	Location	Note	<sup>1</sup> Cap'n Rate	Fair Value \$'000	<sup>1</sup> Cap'n rate	Fair Value \$'000
Avenues Bar & Café	Adelaide, SA	2	5.50%	16,500	5.50%	17,020
Ball Court Hotel	Sunbury, VIC	3	5.25%	8,000	5.25%	7,700
Barron River Hotel	Stratford, QLD	5	n/a	n/a	5.75%	5,680
Beenleigh Tavern	Eagleby, QLD	2	5.31%	18,200	4.50%	20,400
Berserker Tavern	Rockhampton, QLD	2	5.50%	14,600	6.50%	12,500
Bonny View Tavern	Bald Hills, QLD	2	4.75%	12,200	4.75%	11,700
Boomerang Motor Hotel	West Mackay, QLD	2	5.50%	9,550	5.50%	8,000
Bribie Island Hotel	Bellara, QLD	2	5.50%	31,900	5.50%	31,300
Brighton Hotel	Brighton, QLD	2	4.98%	22,400	4.50%	25,000
Brighton Metro Hotel	Brighton, SA	2	5.25%	22,850	5.25%	22,000
Caboolture Sundowner Hotel Motel	Caboolture, QLD	2	4.90%	21,430	4.50%	22,910
Capella Hotel	Capella, QLD	3	8.50%	3,380	8.50%	3,380
Chancellors Tavern	Sippy Downs, QLD	2	5.25%	25,350	5.00%	26,600
Cleveland Sands Hotel	Cleveland, QLD	2	5.10%	45,400	4.50%	48,070
Cleveland Tavern	Cleveland, QLD	2	4.75%	25,850	4.50%	26,900
Club Hotel	Gladstone, QLD	2	5.50%	9,700	6.75%	7,900
Commercial Hotel	Clermont, QLD	3	8.75%	3,180	8.75%	3,180
Commonwealth Hotel	Roma, QLD	3	7.50%	10,150	7.50%	10,150
Coomera Lodge Hotel	Oxenford, QLD	2	4.50%	13,950	4.50%	10,150
Crown Hotel	Lutwyche, QLD	2	5.58%	52,500	5.25%	50,000
Diamonds Inala Hotel	Inala, QLD	2	4.75%	22,800	4.50%	24,050
Diamonds Tavern	Kallangur, QLD	2	5.04%	14,900	4.50%	17,200
Dunwoodys Tavern	Cairns, QLD	2	5.25%	37,700	5.50%	34,900
Edwardes Lake Hotel	Sunbury, VIC	3	5.00%	29,417	5.00%	28,700
Empire Alternacade & Events	Cairns, QLD	2	5.25%	13,200	5.25%	13,200
Everton Park Hotel	Everton Park, QLD	2	4.75%	38,350	4.50%	41,400
Ferry Road Tavern	Southport, QLD	2	5.25%	45,200	5.00%	47,350
Fitzys Loganholme	Loganholme, QLD	2	4.75%	38,850	4.50%	41,000
Fitzys Waterford	Waterford, QLD	2	4.75%	28,950	4.50%	30,600
Grafton Hotel	Edmonton, QLD	2	5.50%	10,100	5.75%	9,700
Grand Hotel	Clermont, QLD	3	8.25%	3,060	8.25%	3,060
Grand Junction Hotel	Pennington, SA	2	5.50%	16,250	5.50%	16,200
Gregory Hills Hotel	Gregory Hills, NSW	2	4.75%	47,700	4.25%	53,200
Hotel HQ	Underwood, QLD	2	5.18%	36,100	4.50%	39,170
Jubilee Tavern	Airlie Beach, QLD	2	5.50%	13,200	6.00%	11,700

			31 December 2022		30 June 2022	
Property	Location	Note	<sup>1</sup> Cap'n Rate	Fair Value \$'000	<sup>1</sup> Cap'n rate	Fair Value \$'000
Kings Beach Tavern	Caloundra, QLD	2	5.25%	30,600	5.00%	32,100
Kooyong Motor Hotel	North Mackay, QLD	2	5.50%	12,700	7.50%	9,630
Leichhardt Hotel	Rockhampton, QLD	2 & 7	n/a	6,500	6.75%	9,800
Lord Stanley Hotel	East Brisbane, QLD	4	n/a	n/a	5.50%	15,800
Magnums Tavern	Airlie Beach, QLD	3	5.75%	31,500	5.75%	30,500
Mango Hill Tavern	Mango Hill, QLD	2	5.25%	43,550	5.00%	47,100
Mi Hi Tavern	Brassal, QLD	2	4.75%	30,350	4.50%	30,700
Mick O'Shea's Hotel	Hackham, SA	2	5.50%	9,600	5.75%	9,200
Mile End Hotel	Mile End, SA	2	5.25%	13,400	5.25%	13,380
Palm Cove Tavern	Palm Cove, QLD	3	5.50%	11,230	5.50%	11,270
Quest Griffith	Griffth, NSW	2	7.00%	16,800	7.50%	17,900
Royal Hotel	West End, QLD	5	n/a	n/a	7.00%	3,830
Royal Mail Hotel	Tewantin, QLD	2	6.50%	22,900	6.50%	22,900
Summerhill Hotel	Reservoir, VIC	2	5.50%	33,000	5.50%	32,600
Surfair Beach Hotel	Marcoola, QLD	2	5.75%	13,100	5.75%	13,100
The Duck Inn	Coromandel Valley, SA	2	5.25%	12,900	5.25%	12,890
The Hotel Allen	Northward, QLD	6	7.00%	15,185	7.00%	15,185
The Regatta Hotel	Toowong, QLD	2	4.75%	61,300	4.75%	61,000
The Unley	Parkside, SA	2	5.25%	5,950	5.38%	5,000
The Victoria Hotel	Strathalbyn, SA	2	5.50%	6,500	5.88%	6,030
The Wallaby Hotel	Mudgeeraba, QLD	2	5.50%	21,900	5.50%	23,000
Tom's Tavern	Aitkenvale, QLD	2	6.00%	26,200	6.00%	26,200
Trinity Beach Tavern	Trinity Beach, QLD	3	6.00%	22,930	6.00%	22,960
Waterloo Tavern	Paralowie, SA	3	5.75%	29,200	5.75%	28,200
West End Hotel	Adelaide, SA	2	5.25%	3,450	5.38%	3,320
White Bull Tavern	Roma, QLD	3	7.50%	3,370	7.50%	3,370
Woodpecker Tavern	Burpengary, QLD	2	5.03%	7,190	4.50%	7,300
Total Investment Properties inc. Held For Sale Assets			5.33%	1,254,172	5.21%	1,296,235
Less Assets Held For Sale			-	(15,185)	-	(34,815)
Total Investment Properties			5.30%	1,238,987	5.18%	1,261,420

1 Capitalisation rate at last independent valuation  
2 Independent valuations obtained as at 31 December 2022  
3 Independent valuations obtained as at 30 June 2022  
4 Sold in August 2022

5 Sold in November 2022  
6 Classified as held for sale  
7 Valued as a development site



## Note 13 TRADE & OTHER PAYABLES

	31 December 2022	30 June 2022
	\$'000	\$'000
<b>Current</b>		
Trade payables	3,149	454
Accrued interest	4,548	4,480
Other payables	6,678	5,463
	<b>14,375</b>	<b>10,397</b>

## Note 14 EMPLOYEE BENEFIT LIABILITIES

	31 December 2022	30 June 2022
	\$'000	\$'000
Short-term employee benefits	170	140
Post-employment benefits	99	76
	<b>269</b>	<b>216</b>
<b>Represented As Follows:</b>		
Current liabilities	217	176
Non-current liabilities	52	40
	<b>269</b>	<b>216</b>

## Note 15 LOANS & BORROWINGS

	31 December 2022	30 June 2022
	\$'000	\$'000
<b>Non-Current</b>		
USPP Notes	308,589	308,449
Bank loans	138,080	155,784
	<b>446,669</b>	<b>464,233</b>

<b>U.S. Private Placement (USPP) Notes</b>		
USPP – drawn	310,000	310,000
Borrowing costs capitalised	(2,482)	(2,482)
Amortisation of borrowing costs	1,071	931
	<b>308,589</b>	<b>308,449</b>

The USPP issue comprises five tranches of unsecured, Australian Dollar denominated notes: 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.

	31 December 2022	30 June 2022
	\$'000	\$'000
<b>Bank Loans</b>		
<b>Common Terms Deed (CTD)</b>		
CTD – drawn	139,050	157,000
Borrowing costs capitalised	(2,443)	(2,443)
Amortisation of borrowing costs	1,388	1,142
Borrowing costs written off	85	85
<b>Total CTD Loans</b>	<b>138,080</b>	<b>155,784</b>

There are two facilities, each bilaterally provided under the Common Terms Deed (CTD) and totalling \$226 million as at 31 December 2022. Of these facilities, \$100 million expires on 24 December 2024 and \$126 million expires on 10 August 2024.

Note 16 PROVISIONS

	31 December 2022	30 June 2022
	\$'000	\$'000
Provision for distribution		
Balance at the beginning of the period	19,902	16,905
Provisions made during the period	17,850	39,519
Provisions used during the period	(19,902)	(36,522)
Balance at the end of the period	17,850	19,902

Distribution

The provision for distribution related to distributions to be paid to stapled security holders on 3 March 2023. This distribution will be funded via drawdown on the existing Common Terms Deed loan facility.

Note 17 CONTRIBUTED EQUITY

	No. of Units	Issue Price \$	\$'000
On issue at 30 June 2022 - Fully Paid	193,502,929	-	412,027
Units issued under the DRP on 3 September 2022	794,259	3.2230	2,560
On issue at 31 December 2022 - Fully Paid	194,297,188	-	414,587
On issue at 30 June 2021 - Fully Paid	174,551,384	-	349,107
Units issued under the DRP on 4 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)
On issue at 31 December 2021 - Fully Paid	192,599,663	-	408,854

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 in defeasible 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 in defeasible 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 19).

Distribution Reinvestment Plan (DRP)

The HPI Group has suspended the Distribution Reinvestment Plan (DRP) for the December 2022 distribution. The HPI Group will reassess whether the DRP will be operable for future distribution periods when the details of those distributions are announced.

Note 18 RETAINED EARNINGS

	31 December 2022	30 June 2022
	\$'000	\$'000
Balance at the beginning of the period	398,456	226,529
(Loss) / profit for the period	(7,940)	211,446
Provision for distribution to stapled security holders	(17,850)	(39,519)
Balance at the end of the period	372,666	398,456





## Note 19 RESERVES

	Treasury Share Reserve	Share Based Payment Reserve	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2022	(856)	346	(510)
Purchase of treasury shares	(112)	-	(112)
Treasury shares granted as remuneration	120	-	120
Recognition of share-based payment expense	-	58	58
<b>Balance at 31 December 2022</b>	<b>(848)</b>	<b>404</b>	<b>(444)</b>
Balance at 1 July 2021	(856)	233	(623)
Recognition of share-based payment expense	-	47	47
<b>Balance at 31 December 2021</b>	<b>(856)</b>	<b>280</b>	<b>(576)</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 2022, the HPI Group held 272,992 of the Company's securities (31 December 2021: 278,069).

### 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 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 20 NET ASSETS PER STAPLED SECURITY

	31 December 2022	30 June 2022
Number of stapled securities on issue as at the end of the period	194,297,188	193,502,929
Less: Treasury securities	(272,992)	(278,069)
Adjusted number of stapled securities on issue as at the end of the period	194,024,196	193,224,860
Net assets at balance date	786,809,483	809,973,459
<b>Per stapled security on issue</b>	<b>\$4.06</b>	<b>\$4.19</b>

## Note 21 EARNING PER SECURITY & STAPLED SECURITY

	31 December 2022	31 December 2021
<b>Earnings per Stapled Security</b>		
(Loss) / profit for the period attributable to stapled Securityholders	(7,940,000)	120,100,000
<b>Weighted Average Number of Stapled Securities</b>		
On issue at the beginning of the period	193,502,929	174,551,384
Add: Distribution reinvestment securities	523,687	477,294
Add: Capital raising securities	-	8,196,722
Add: Security purchase plan	-	1,026,258
Less: Effect of treasury securities held	(256,862)	(278,069)
Weighted average number of securities	193,769,754	183,973,589
Basic earnings per security - cents	(4.10)	65.28
Diluted earnings per security - cents	(4.09)	65.18
<b>Earnings Per Security</b>		
Profit for the period attributable to Unitholders of the Trust	(8,072,000)	119,939,000
Basic earnings per security - cents	(4.17)	65.19
Diluted earnings per security - cents	(4.16)	65.10

## Note 22 DISTRIBUTIONS

	Total Distribution	No. of Stapled Securities	Distribution Per Stapled Security
	\$'000		cents
<b>Distributions to Stapled Security Holders</b>			
<b>31 December 2022</b>			
1 July 2022 to 31 December 2022	17,850	194,024,196	9.2
<b>31 December 2021</b>			
1 July 2021 to 31 December 2021	19,617	192,321,594	10.2

Note 23 FINANCIAL INSTRUMENTS

Accounting Classifications & Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information of financial assets and financial liabilities not measured at fair value.

31 December 2022

Financial Assets Not Measured at Fair Value

		Carrying Amount			
		Financial Assets at Amortised Cost	Financial Assets at Fair Value Through OCI	Other Financial Liabilities	Total
Note		\$'000	\$'000	\$'000	\$'000
Trade and other receivables	9	594	-	-	594
Cash and cash equivalents	8	930	-	-	930
Other non-current assets	10	-	5,000	-	5,000
		1,524	5,000	-	6,524

Financial Liabilities Not Measured at Fair Value

Loans and borrowings	15	-	-	(446,669)	(446,669)
Trade and other payables	13	-	-	(14,375)	(14,375)
		-	-	(461,044)	(461,044)

30 June 2022

Financial Assets Not Measured at Fair Value

		Carrying Amount			
		Financial Assets at Amortised Cost	Financial Assets at Fair Value Through OCI	Other Financial Liabilities	Total
Note		\$'000	\$'000	\$'000	\$'000
Trade and other receivables	9	1,118	-	-	1,118
Cash and cash equivalents	8	837	-	-	837
Other non-current assets	10	-	5,000	-	5,000
		1,955	5,000	-	6,955

Financial Liabilities Not Measured at Fair Value

Loans and borrowings	15	-	-	(464,233)	(464,233)
Trade and other payables	13	-	-	(10,397)	(10,397)
		-	-	(474,630)	(474,630)

Note 24 CONTINGENT ASSETS

The HPI Group is not aware of any contingent assets as at 31 December 2022 which may materially affect the operation of the business (30 June 2022: nil).

Note 25 CONTINGENT LIABILITIES

The HPI Group has issued a bank guarantee as security over the office premises for \$78,304 (30 June 2022: \$78,304).

The Trust has issued a bank guarantee of \$5.6 million to the Company in its capacity of Responsible Entity (30 June 2022: \$5.6 million).

The HPI Group is not aware of any contingent liabilities as at 31 December 2022 which may materially affect the operation of the business (30 June 2022: nil).

Note 26 COMMITMENTS

The HPI Group has committed to a \$30 million capital expenditure program across the portfolio which commenced on February 2020. As at 31 December 2022, \$4.8 million of the commitment remains (30 June 2022: \$4.9 million).

During the period, HPI approved a redevelopment of the Leichhardt Hotel with a total project cost of approximately \$12 million. As at 31 December 2022 \$10.5 million of the commitment remains unspent (30 June 2022: nil).

Other than the commitments noted above, the HPI Group is not aware of any other commitments as at 31 December 2022 which may materially affect the operation of the business (30 June 2022: nil).

Note 27 SEGMENT INFORMATION

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

Revenues from Australian Venue Company ('AVC') and Queensland Venue Company ('QVC') represented approximately \$27 million (31 December 2021: \$24 million) of the HPI Group's total revenues.

Note 28 SUBSEQUENT EVENTS

In February 2023, HPI entered into contracts to purchase the Cornerstone Tavern in Western Australia and the Strand Hotel in Queensland for a purchase price of \$4 million and \$9.3 million respectively (excluding costs).

Other than the matter above there have been no items, transactions or events that have occurred subsequent to 31 December 2022 that are 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.

The Regatta Hotel  
Toowong QLD

NET TANGIBLE  
ASSET PER  
SECURITY  
OF \$4.06



# DIRECTORS' DECLARATION

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

- 1 The Consolidated Financial Statements and Notes, set out on pages 9 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 2022 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.



GISELLE COLLINS  
Chairman

Melbourne, Australia  
Dated this 16th day of February 2023



## 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 2022 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 2022;
- 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; and
- 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 (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 these requirements.

KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.



#### 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 gives a true and fair view and 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 2022 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

Rachel Gatt

Partner

Sydney

16 February 2023

CHEERS TO  
CONTINUED  
PARTNERSHIPS  
& GROWTH  
OPPORTUNITIES







## CORPORATE DIRECTORY

### *Hotel Property Investments*

#### **Hotel Property Investments Limited**

ABN 25 010 330 515

Hotel Property Investments Trust

ARSN 166484377

Suite 2, Level 17 – IBM Centre

60 City Road Southbank VIC 3006 Australia

T (03) 9038 1774

hpitrust.com.au

### *Security Registry*

#### **Link Market Services**

Tower 4, Collins Square

727 Collins Street Docklands VIC 3008 Australia

### *Custodian*

#### **The Trust Company Limited**

Level 12, Angel Place

123 Pitt Street Sydney NSW 2001 Australia

### *Auditor*

#### **KPMG**

Tower 2, Collins Square

727 Collins Street Melbourne VIC 3008 Australia

### *Responsible Entity*

#### **Hotel Property Investments Limited**

ABN 25 010 330 515

Suite 2, Level 17 – IBM Centre

60 City Road Southbank VIC 3006 Australia

### *Chief Financial Officer & Company Secretary*

#### **Blair Strik**

Hotel Property Investments Limited

Suite 2, Level 17 – IBM Centre

60 City Road Southbank VIC 3006 Australia