Annual Report 2016

METRO HOTELS

TRANSMETRO CORPORATION LIMITED
ABN 45 001 809 043

METRO HOTELS

Metro Hospitality Group operates a network of accommodation hotels and pubs in key locations and major cities across Australia including Sydney, Melbourne, Perth, Brisbane, Gladstone and Groote Eylandt (NT).

Year on year, the chain's national portfolio of hotels and apartments continues to attract a broadening range of corporate and leisure guests, whilst the group's Palace Hotel Sydney and The Elephant British pub, continue to host tens of thousands of Australians and visiting tourists annually.

Metro Hotels attracts guests from both the domestic and international markets for corporate and leisure stays as well as in select locations, conferences and functions. The Metro Hotels group offers a unique range of hospitality from fully serviced hotels to spacious self-contained CBD located apartments.

In addition to its accommodation hotels network, the Metro Hospitality Group has interests in theme pubs in Sydney, Adelaide, and Perth.

The pubs division continues to support the broad expertise of the group and has enabled it to leverage its resources over a wider portfolio of interests. It has also brought cross-promotional benefits. Having formed in 1997, Metro Hospitality Group's pub division is now in its nineteenth year of operation.

The flexibility and diversity of the Metro Hospitality Group, incorporating Metro Hotels and Pubs, gives Transmetro Corporation a high degree of confidence in its capacity to confront the present and future challenges of a dynamic and ever-changing marketplace.

The company is dedicated to building client relationships and offers a unique range of long-established and well recognised brands.

OUR OPERATIONS
Metro Hotels

Transmetro Corporation Limited is an Australian owned public company listed on the Australian Stock Exchange. Metro Hospitality Group, the trading division of the corporation, oversees the Metro Hotels chain, which has operated for a period spanning five decades.

METRO HOTELS AND APARTMENTS

Based in capital cities or larger regional centres, Metro Hotels are generally four star properties catering mainly for corporate guests, inbound travellers, and holidaymakers. The fully-serviced hotels include restaurants, meeting rooms, and business facilities. Some properties include comprehensive conference and function space.

The Metro Apartments complexes are located in major cities and cater for corporate travellers, and leisure guests looking for longer term stays. Properties are ranked in the 3.5 to 4.5 star bracket, and are fully equipped with kitchen facilities, separate living room and bedroom space as well as laundry facilities, making Metro's apartment properties an ideal 'home away from home'.

PUBS

A unique range of pubs in capital cities providing beverages, food, entertainment, and in one of our Sydney locations, gaming. The division also operates The Elephant, a British pub, in Adelaide, and has an interest in the Elephant & Wheelbarrow at Northbridge, in Perth. The Palace Hotel since 1877 in Sydney has been renovated and a gaming room has been updated.

Argyle

In November 2007, Metro entered into a strategic alliance with Argyle Hotel Group (AHG) in order to represent and promote each other's hotel chains in their respective markets. AHG is now the largest Australian exporter of hotel and resort management and asset management services right across China. AHG's management portfolio (including hotels in the pipeline) total 80 and have a combined worth of $2.3 billion (USD).

THE YEAR IN REVIEW

The year to 30 June 2016 has been a disappointing one for the company.

While revenue was up slightly on the previous year, EBITDA and profit, before and after tax, was down.

Substantial redevelopment of two of our properties over extended periods impacted revenues and profits due to disruption of trading. Properties in areas impacted by the continuing downturn in the mining sector however impacted the most. Other markets have held their ground, particularly Sydney which has seen growth across the range of Metro Hotel properties in the city.

In Perth we completed and brought to market a new wing of the Metro Hotel Perth, a 53-room addition, taking the hotel's inventory up to 147 rooms. We also completely refurbished the lobby, reception area, restaurant, and bar, and added a suite of new conference and functions facilities.

When plans were initiated for this expansion, the demand for hotel rooms in Perth was at a peak. As we reached completion, demand had fallen and at the same time the supply of new hotels has increased.

According to STR Global, Perth had an average of 6,244 short term accommodation rooms at 31 December 2015. Average room supply in the city has grown at a marginal 0.7% average each year over the past six years to and including 2015. A number of new hotels have also opened their doors this year, and others are under construction

As a result Perth will no doubt continue to be challenging for us. We will be banking on a recovery in the corporate market as the economy diversifies away from mining. With a vastly improved and larger product we are aiming too to open up new revenue streams, which if achieved, will enhance the profit ratio of the hotel due to the larger inventory.

Directors' REVIEW 2016

In Perth we completed and brought to market a new wing of the Metro Hotel Perth, a 53-room addition, taking the hotel's inventory up to 147 rooms. We also completely refurbished the lobby, reception area, restaurant, and bar, and added a suite of new conference facilities.

The Sydney market remains the company's mainstay. Our city hotels continue to enjoy optimum occupancies and room rates. The Aspire Hotel, which has been operated by the company since 2009 is undergoing a substantial multi-million dollar refurbishment which will be completed by the end of this year. The property at that time will be rebranded Metro Hotel Aspire, Sydney. The company has also added the Metro Newport Mirage Hotel to its management portfolio. This 4-star hotel is a landmark on Sydney's northern beaches and is well known for weddings and conferences in addition to its role in the accommodation sector.

Directors are of the view the decline in trading has at least bottomed out and we are already seeing some pick-up across the board. International visitor arrivals to Australia continue to increase, no doubt in part due to the softened Australian dollar. A resurgence in the Japanese market as a result of substantial increases in flights to and from Japan is also helping. The Chinese market continues to pick up pace too while the U.S. market remains a strong contributor to arrival numbers.

The directors remain appreciative of the tireless efforts of our colleagues on the front desks of our properties around Australia, the room attendants servicing hundreds of thousands of rooms each year, our engineering, maintenance and food & beverage personnel, the service staff in our pubs, and our property managers and group executives, as well as our suppliers, our shareholders, and of course the hotel guests and pub patrons that frequent our establishments year-round. We are grateful to all for their contributions.

DIRECTORS' REPORT 2016

Your directors have pleasure in submitting their report for the year ended 30 June 2016.

DIRECTORS

The names of the directors of the company in office at the date of this report are:

D Lloyd
JAC McEvoy
A Notley
S Notley (alternate for A Notley)
P J Frawley

MEETINGS OF DIRECTORS

The following table sets out the numbers of meetings of the company's directors held during the year ended 30 June 2016 and the numbers of meetings attended by each director.

Director	Eligible to attend	Attended
D Lloyd	11	11
JAC McEvoy	11	11
A Notley	11	6
S Notley	4	4
P J Frawley	11	11

As at the date of this report the company does not have an audit committee as the Board, consisting of four directors, feels that all matters of audit significance can be adequately dealt with by the Board.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated group are the operation of Hotels, Inns, Serviced Apartments, and Theme Pubs.

RESULTS FOR THE YEAR

Profit before interest, depreciation and tax from continuing operations was $4.08 million. After interest, depreciation and tax the net profit of the group was $941k.

DIVIDENDS

A fully franked final dividend for the 2014/15 year of 5 cents per share was paid on 30 June 2015.
A fully franked final dividend for the 2015/16 year of 5 cents per share was paid on 30 June 2016.

EARNINGS PER SHARE

Earnings per share from continuing operations were 7.03 cents per share (after interest, depreciation and tax) compared to 10.17 cents for the previous financial year.

FINANCIAL POSITION

The net assets of the consolidated group have decreased by $5.1M during the year ended 30 June 2016 due to:
Group net profit after tax attributable to members of $0.9M plus capital contribution reserve of $0.3M less dividends paid of $0.7M and revaluation decrement of $5.6M.

VARIATION FROM APPENDIX 4E LODGED WITH ASX

The preliminary final report did not reflect the freehold property valuation movement for Metro Hotel Perth because the property valuation was not completed by the independent valuer at the time of lodgement.Directors have only just received the valuation on 29 September 2016 and have now amended the consolidated financial statements to reflect the net valuation decrement of $5.6M. This change has resulted in a decrease in the net assets of the Consolidated Entity from $20.2M to $14.6M and the net tangible assets per share from $1.43 to $0.83. This amendment does not change the Cashflow Position of the Consolidated Entity.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than as noted above, there were no significant changes in the state of affairs of the consolidated group during the financial year.

EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year other than those disclosed in note 32 to the financial report.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Likely developments, future prospects and business strategies of the operations of the consolidated group and the expected results of those operations have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the consolidated group.

ENVIRONMENTAL ISSUES

The consolidated group's operations are not subject to any significant environmental regulation under Commonwealth or State law.

INFORMATION ON DIRECTORS

JOHN McEVOY, Chairman

John has spent more than 4 decades in the hospitality industry in Australia. He founded the Metro group in 1976 while in his twenties. He has served as chairman and managing director of Transmetro Corporation since it was incorporated in 1979. Additionally John has extensive experience in marketing and the media, having held a number of executive roles with Consolidated Press's then-radio network, and Channel 9 Sydney.

PETER J FRAWLEY, MBA, Managing Director

Peter has spent 3 decades in the hospitality industry holding senior positions in a number of major listed hotel groups including Starwood, Accor and CDL Hotels. He was Managing Director of All Seasons Hotels, and P&O Cruises. In recent years Peter has undertaken assignments offshore in Asia, India and the UAE for Starwood, Bin Haider Hospitality Dubai, Accor India, and Tradewinds International Malaysia.

Peter completed his MBA in Management at Macquarie University and holds a Bachelor of Business in La Trobe University. He also holds a Diploma of Corporate Governance from the Australian Institute of Company Directors.

ALAN NOTLEY, FCPA ACA (NZ) FAIM, Non-Executive Director

Alan is a former Executive Director of Ansett Transport Industries Limited serving on the Ansett board from 1981 to 1992. Alan also served as Executive Chairman of Traveland International Pty Ltd, which operated 250 travel agencies, Chairman of Ansett Pioneer Bus Lines and Executive Chairman of Diners Club Australia. Alan is presently Chairman of ASP Ship Management Pty Ltd, a major ship management organization.

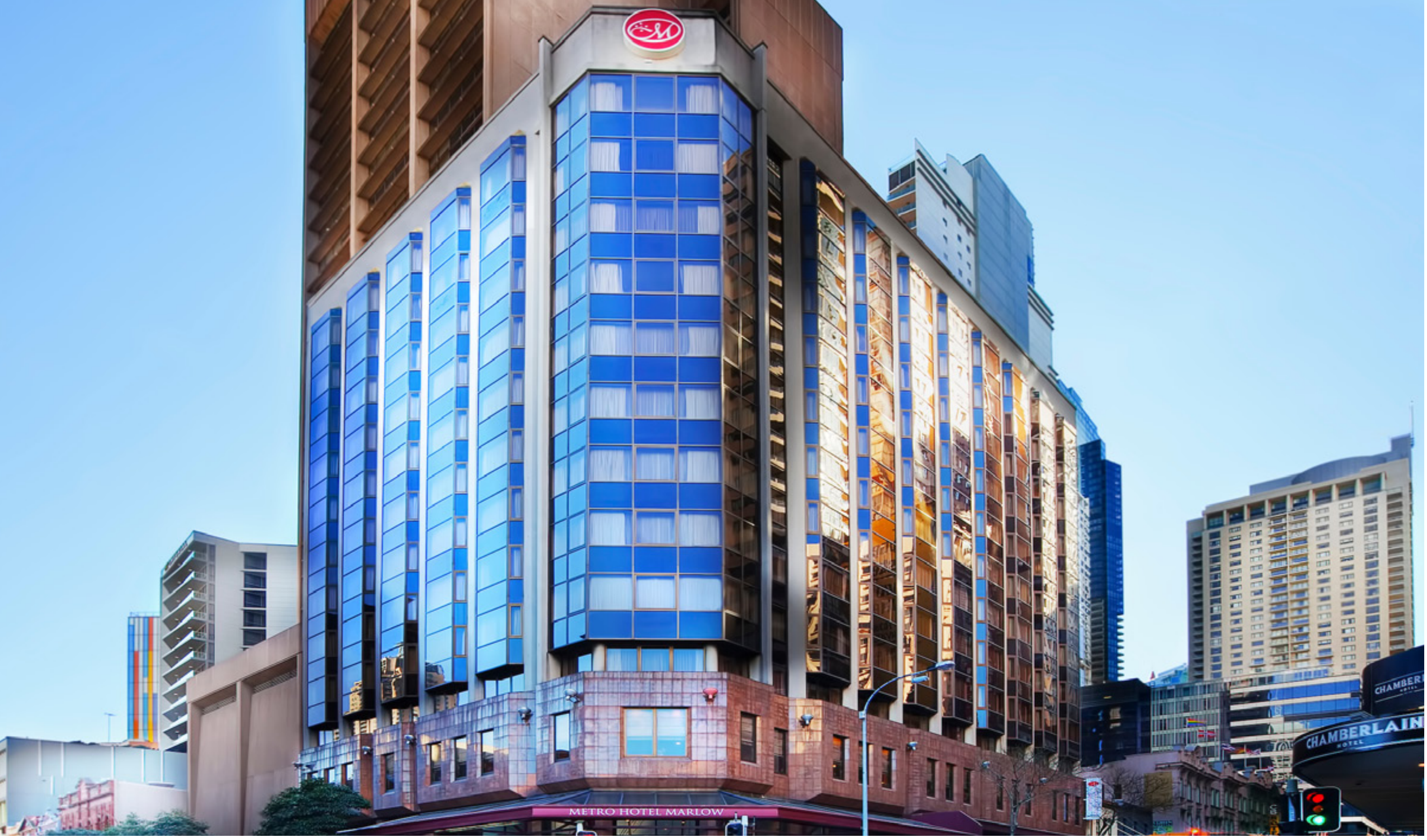
DAVID LLOYD, Non-Executive Director

David has widespread commercial experience with several chartered accounting firms in Adelaide, Brisbane and Sydney as a division manager and continues to act as a consultant specialising in corporate investigations, planning and reconstruction.

SUSAN NOTLEY (B.A. University of Sydney), Non-Executive Director

(Alternate director to Alan Notley)

Susan has had over 20 years experience in the tourism industry at the wholesale distribution level. She currently operates her own consultancy in tourism industry marketing.



DIRECTORS' REPORT 2016

COMPANY SECRETARIES

David Lloyd and Jakin Agus.

David Lloyd is also a director, and his qualifications and experience are shown above.

JAKIN AGUS, CPA, Company Secretary

Jakin Agus has a Bachelor of Commerce degree and has been in the hospitality industry for more than twenty years. He joined Transmetro Corporation Ltd in 2000 as Management Accountant based at the company's head office. A year later he was appointed Financial Controller of the company's Pubs division. In 2005 he was appointed Group Accountant of Metro Hospitality Group. In 2012 he was appointed Group Financial Controller of Metro Hospitality Group.

INDEMNIFYING OFFICERS OR AUDITOR

An insurance policy is in place to cover directors and officers, however the terms of the policy prohibit disclosure of the details of the insurance cover and the premiums paid.

The company has not otherwise, during or since the financial year, agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

DIRECTORS' INTERESTS AND BENEFITS

Shares held by directors and director-related entities at the date of the directors' report are:

Director	Shares held directly	Shares held indirectly
P Frawley	-	-
D Lloyd	-	-
JAC McEvoy	5,942,114	5,695,549
A Notley	9,000	-
S Notley	-	-

Since the end of the previous financial year, no director of the company has received or become entitled to receive any benefit by reason of a contract made by the company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial interest.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director and key management personnel (KMP) of Transmetro Corporation Limited.

Remuneration Policy

The remuneration policy of Transmetro Corporation Limited has been designed to align director and KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Consolidated Entity's financial results. The board of Transmetro Corporation Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best KMP and directors to run and manage the Consolidated Entity, as well as create goal congruence between directors, KMPs and shareholders.

The following table shows the gross revenue and results for the last two years for the listed entity, as well as the share price at the end of the respective financial years.

	2016	2015
Revenue from continuing operations	$30,216,497	$29,848,478
Net profit	$898,200	$1,162,486
Share price at year end	$1.05	$0.90

The board's policy for determining the nature and amount of remuneration for board members and KMP of the Consolidated Entity is as follows:

The remuneration policy, setting the terms and conditions for the KMP directors and other senior KMPs, was developed by the remuneration committee, which currently is the entire board. All KMPs receive a total remuneration package, which may include a base salary (commensurate with their expertise and experience), superannuation, fringe benefits and performance incentives. The remuneration committee reviews KMP packages annually by reference to the Consolidated Entity's performance, KMP performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of KMPs is measured with each KMP and is based predominantly on the forecast growth of the company financial performance and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. Any changes must be justified by reference to measurable performance criteria.

The policy is designed to attract the highest calibre of KMPs and reward them for performance that results in long-term growth in shareholder wealth.

The company does not have a KMP share option scheme. Directors and KMP do not receive share options.

KMP receive a superannuation guarantee contribution required by the government, which is currently 9.50%. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation. KMP are paid employee benefit entitlements accrued to the date of retirement.

All remuneration paid to directors and KMP is valued at the cost to the company and expensed.

The board policy is to remunerate non-KMP directors and employees at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-KMP directors and employees and reviews their remuneration annually, based on market practice, duties and accountability. Fees for non-KMP directors and employees are not linked to the performance of the Consolidated Entity.

Performance Based Remuneration

As part of KMPs' remuneration packages there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between KMPs with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with KMPs. The measures are specifically tailored to the areas each KMP is involved in and has a level of control over. The KPIs target areas the board believes will improve the performance of the company, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the group.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, Transmetro Corporation Limited bases the assessment on audited figures where appropriate.

DIRECTORS' REPORT 2016

Company Performance, Shareholder Wealth and Directors' and KMPs' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and KMPs, being a performance based bonus based on key performance indicators. The company believes this policy should be effective in increasing shareholder wealth over the medium term. The board will review its remuneration policy annually to ensure it is effective.

Performance Income as a proportion of Total Remuneration

KMP are paid performance based bonuses based on a proportion of their total remuneration package. The remuneration committee has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and financial performance of the Consolidated Entity. The remuneration committee will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

All KMPs' remuneration for the year ended 30 June 2016 had a fixed component and a variable component of their overall remuneration, with the variable part of their remuneration paid subject to a performance condition.

Employment Contracts of Directors and KMPs

The employment conditions of the chief KMP are formalised in contracts of employment.

All KMPs are permanent employees of Transmetro Corporation Limited. No contract is for a fixed term. Each contract states it can be terminated by the company by giving up to three to six months notice and by paying a redundancy of between three to six months.

Key Management Personnel compensation

Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
JAC McEvoy	Chairman
P J Frawley	Managing Director - Executive
A Notley	Non-Executive Director
D Lloyd	Non-Executive Director
J Agus	Company Secretary and Group Financial Controller
P Rogers (appointed 10 August 2015)	General Manager - Property
S Nemetz	General Manager - Property
D Robinson	General Manager - Property
E Muir	General Manager - Property
D Harlick (appointed 1 July 2015)	General Manager - Property
R Pirie (appointed 6 August 2015)	Director of Sales & Marketing

DIRECTORS' REMUNERATION

The following table discloses the remuneration of Directors of the company for the year ended 30 June 2016, as specified for disclosure by AASB 124. The information contained in this table is audited.

Directors	Salary, Fees & Commissions $	Superannuation Contribution $	Bonus $	Non-cash Benefits $	Total $
JAC McEvoy					
2015	-	-	-	-	-
2016	-	-	-	-	-
P Frawley					
2015	21,333	2,027	-	-	23,360
2016	256,000	19,308	-	5,525	280,833
A Notley					
2015	18,762	-	-	-	18,762
2016	19,700	-	-	-	19,700
D Lloyd					
2015	18,762	-	-	-	18,762
2016	19,700	-	-	-	19,700
Total 2015	58,857	2,027	-	-	60,884
Total 2016	295,400	19,308	-	5,525	320,233

KMP SHAREHOLDINGS

Number of shares held by Key Management Personnel

Key Management Person	Balance 1.7.15	Net Change	Balance 30.6.16
JAC McEvoy	11,637,663	-	11,637,663
P Frawley	-	-	-
A Notley	9,000	-	9,000
D Lloyd	-	-	-
J Agus	-	-	-
P Rogers	-	-	-
R Pirie	-	-	-
D Robinson	500	-	500
E Muir	-	-	-
S Nemetz	1,000	-	1,000
D Harlick	-	-	-
TOTAL	11,648,163	-	11,648,163

KMPS' REMUNERATION

The following table discloses the remuneration of the KMP of the company and the consolidated entity for the year ended 30 June 2016, as specified for disclosure by AASB 124. The information in this table is audited.

KMP	Salary & Fees	Short-term Benefits		Post- Employment Benefits			Total	Percentage of Remuneration Performance Related
		Bonuses	Other	Super-annuation	Long Service Leave	Termination Benefits		
	$	$	$	$	$	$	$	
G Bedwani*								
2015	230,087	-	9,910	22,925	-	60,000	322,922	-
2016	-	-	-	-	-	-	-	-
J Agus								
2015	138,171	-	-	13,126	2,215	-	153,512	-
2016	135,565	-	-	12,879	2,266	-	150,710	-
D Robinson								
2015	88,569	-	9,926	8,414	1,160	-	108,069	-
2016	73,206		8,766	6,955	1,223	-	90,150	-
C Irvin*								
2015	117,601	-	-	11,167	-	-	128,768	-
2016	-	-	-	-	-	-	-	-
P Rogers**								
2015	-	-	-	-	-	-	-	-
2016	101,277			9,621	1,716		112,614	-
S Nemetz								
2015	78,921	-	16,776	7,498	1,357	-	104,552	-
2016	83,000	-	17,762	7,885	1,387		110,034	-
E Muir								
2015	112,116	-	-	10,651	1,806	-	124,573	-
2016	110,000	-	-	10,450	1,838	-	122,288	-
L King*								
2015	124,057	-	9,910	11,312	-	-	145,279	-
2016	-	-	-	-	-	-	-	-
R Pirie**								
2015	-	-	-	-	-	-	-	-
2016	82,409	-	5,525	6,955	2,028	-	96,917	-
D Harlick**								
2015	-	-	-	-	-	-	-	-
2016	74,246	-	11,320	7,053	1,199	-	93,818	-
TOTAL 2015	889,522	-	46,522	85,093	6,538	60,000	1,087,675	-
TOTAL 2016	659,703	-	43,373	61,798	11,657	-	776,531	-

No Bonuses were awarded during the 2015/16 financial year.
There were no other transactions with directors and KMP during the financial year ended 30 June 2016.
* G Bedwani ceased to be KMP on 12 June 2015, C Irwin ceased to be KMP on 21 May 2015 and L King ceased to be KMP on 19 June 2015.
** P Rogers was appointed KMP on 10 August 2015, R Pirie was appointed KMP on 6 August 2015 and D Harlick was appointed KMP on 1 July 2015.

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the services disclosed below did not compromise the external auditor's independence as the nature of the services provided do not compromise the general principles relating to auditor independence set out in APES 110: Code of ethics for Professional Accountants set by Accounting Professional and Ethical Standards Board.

Fees of $8,000 were payable to the external auditors during the year ended 30 June 2016 for the preparation of income tax returns, and fees of $1,700 were payable for other services.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2016 is attached to this report.

Signed at Sydney this 30th day of September 2016 in accordance with a resolution of the directors.the directors.

J McEvoy
Director

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:

(a) comply with Accounting Standards and the Corporations Regulations 2001; and

(b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the company and consolidated group.

2. The Group Financial Controller have each declared that:

(a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

(b) the financial statements and notes for the financial year comply with the Accounting Standards; and

(c) the financial statements and notes for the financial year give a true and fair view.

3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

J McEvoy
Director

Signed at Sydney this 30th day of September 2016.

STIRLING INTERNATIONAL
CHARTERED ACCOUNTANTS

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF TRANSMETRO CORPORATION LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Transmetro Corporation Limited (the company) and the consolidated entity, which comprises the balance sheet as at 30 June 2016, and the profit or loss statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Transmetro Corporation Limited Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF TRANSMETRO CORPORATION LIMITED

Auditor's Opinion

In our opinion:

a. the financial report of Transmetro Corporation Limited is in accordance with the Corporations Act 2001, including:

i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and

ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included at pages 5 to 8 of the report of the directors for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with the Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Transmetro Corporation Limited for the year ended 30 June 2016, complies with s 300A of the Corporations Act 2001.

Stirling International
Chartered Accountants

Roger Williams
Level 4, 283 Clarence St, Sydney 2000
30 September 2016
Liability limited by a scheme approved under Professional Standards Legislation

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF TRANSMETRO CORPORATION LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Signed this 30th day of September 2016 at Sydney, New South Wales.

Stirling International
Chartered Accountants

Roger Williams
Partner

Consolidated Statement of Profit or Loss for the year ended 30 June 2016

CONSOLIDATED GROUP	NOTE	30.06.2016 $	30.06.2015 $
CONTINUING OPERATIONS			
Sales Revenue	5	30,098,862	29,625,412
Interest income		55,135	60,566
Trust distribution		62,500	162,500
Total Revenue		30,216,497	29,848,478
Cost of sales		(3,172,960)	(3,051,188)
Employee benefits expense		(8,713,674)	(8,638,243)
Other expenses		(14,248,561)	(13,581,003)
EBITDA		4,081,302	4,578,044
Reversal of revaluation decrement on freehold property	15(i)	132,971	-
Depreciation and amortisation expense		(1,861,671)	(1,747,742)
Finance costs		(934,711)	(885,089)
Profit before income tax	6	1,417,891	1,945,213
Income tax expense	7	(476,454)	(584,168)
Profit from continuing operations		941,437	1,361,045
DISCONTINUED OPERATIONS Profit/(Loss) from discontinued operations attributable to:			
Members of the parent entity	31	(43,237)	(198,559)
Profit from operations attributable to:			
Members of the parent entity		898,200	1,162,486
EARNINGS PER SHARE Basic earnings per share			
From continuing operations	25	7.03	10.17
From discontinued operations		(0.32)	(1.48)
		6.71	8.69

The accompanying notes form part of this financial report

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2016

CONSOLIDATED GROUP	NOTE	30.06.2016 $	30.06.2015 $
Profit for the period		898,200	1,162,486
OTHER COMPREHENSIVE INCOME			
Revaluation decrement on freehold property	23a	(8,060,097)	-
Income tax relating to component of other comprehensive income	23a	2,418,029	-
Total comprehensive income for the period		(4,743,868)	1,162,486
Total comprehensive income attributable to:			
Members of the parent entity		(4,743,868)	1,162,486

The accompanying notes form part of this financial report

Consolidated Balance Sheet as at 30 June 2016

CONSOLIDATED GROUP	NOTE	30.06.2016 $	30.06.2015 $
CURRENT ASSETS			
Cash and cash equivalents		1,777,095	2,638,650
Current tax receivable	20	167,985	60,493
Trade and other receivables	11	1,246,099	1,056,567
Assets held for sale and discontinued operations	31	-	338,750
Inventories		261,404	231,740
TOTAL CURRENT ASSETS		3,452,583	4,326,200
NON-CURRENT ASSETS			
Property, plant and equipment	15	34,195,356	34,999,490
Deferred tax assets	20	3,159,311	3,900,900
Intangible assets	16	1,163,028	1,122,223
Other financial assets	13	155,506	155,506
Other non-current assets	17	250,000	250,000
TOTAL NON-CURRENT ASSSETS		38,923,201	40,428,119
TOTAL ASSETS		42,375,784	44,754,319
CURRENT LIABILITIES			
Trade and other payables	18	2,775,013	2,567,041
Borrowings	19	840,000	840,000
Current tax liabilities	20	-	-
Short-term provisions	21	768,409	828,014
TOTAL CURRENT LIABILITIES		4,383,422	4,235,055
NON-CURRENT LIABILITIES			
Borrowings	19	22,596,525	17,596,361
Deferred tax liabilities	20	828,612	3,216,496
TOTAL NON-CURRENT LIABILITIES		23,425,137	20,812,857
TOTAL LIABILITIES		27,808,559	25,047,912
NET ASSETS		14,567,225	19,706,407
EQUITY			
Issued capital	22	6,855,964	6,855,964
Reserves	23	3,239,820	8,608,064
Retained earnings		4,471,441	4,242,379
TOTAL EQUITY		14,567,225	19,706,407

The accompanying notes form part of this financial report

Consolidated Statement of Changes in Equity for the year ended 30 June 2016

	Issued Capital Ordinary $	Asset Revaluation Reserve $	Capital Contribution Reserve $	Retained Earnings $	Total $
Balance at 1.7.2014	6,855,964	8,503,425	-	3,749,031	19,108,420
Total comprehensive income for the period	-	-	-	1,162,486	1,162,486
Contribution from related party	-	-	104,639		104,639
Dividend paid to shareholders	-	-	-	(669,138)	(669,138)
Balance at 30.06.2015	6,855,964	8,503,425	104,639	4,242,379	19,706,407
Balance at 1.7.2015	6,855,964	8,503,425	104,639	4,242,379	19,706,407
Total comprehensive income for the period	-	(5,642,068)	-	898,200	(4,743,868)
Contribution from related party	-	-	273,824	-	273,824
Dividend paid to shareholders	-	-	-	(669,138)	(669,138)
Balance at 30.06.2016	6,855,964	2,861,357	378,463	4,471,441	14,567,225

Consolidated Statement of Cash Flows for the year ended 30 June 2016

CONSOLIDATED GROUP	NOTE	30.06.2016 $	30.06.2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		30,260,755	31,599,235
Payments to suppliers and employees		(26,429,684)	(27,012,263)
Distributions and dividends received		62,500	162,500
Interest received		55,135	60,566
Interest paid		(764,420)	(885,089)
Income tax (paid) / received		206,318	(257,054)
Net cash provided by operating activities	28	3,390,604	3,667,895
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets		(8,686,716)	(3,703,065)
Net cash provided by/(used in) investing activities		(8,686,716)	(3,703,065)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		6,161,944	1,251,000
Repayment of borrowings		(1,058,248)	(610,000)
Dividends paid		(669,139)	(1,338,278)
Net cash (used in)/provided by financing activities		4,434,557	(697,278)
Net increase/(decrease) in cash held		(861,555)	(732,448)
Cash and cash equivalents at beginning of period		2,638,650	3,371,098
Cash and cash equivalents at end of period	29	1,777,095	2,638,650

Notes to the financial statements

1. REPORTING ENTITY

Transmetro Corporation Limited is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2016 comprise the Company and its controlled entities (together referred to as the Consolidated Entity). The Consolidated Entity is primarily involved in the hospitality sector.

2. BASIS OF PREPARATION

a. Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Consolidated Entity and the financial report of the Company comply with International Financial Reporting Standards and Interpretations adopted by the International Accounting Standards Board.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

c. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

d. Use of judgments and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and 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.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the following areas:

- Provisions and Employee benefits
- Fair value measurement

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all entities in the Consolidated Entity.

a. Basis of Consolidation

Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in controlled entities are carried at their cost of acquisition in the Company's financial statements.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements..

b. Income Recognition

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer. All revenue is stated net of the amount of goods and services tax (GST).

Sales revenue

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of service. Revenue from the sale of goods is recognised upon dispatch of goods to customers.

Other income

Other income is recognised on a systematic basis over the periods necessary to match it with the related costs for which it is intended to compensate or, if the costs have already been incurred, in the period in which it becomes receivable. The income is deemed to be receivable when the entitlement is confirmed. Income from subsidiaries and associates are recognised by the parent when the distributions are declared.

c. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the relevant taxation authority are classified as operating cash flows.

d. Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of controlled entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary transactions denominated in foreign currencies that are stated at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the date the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement.

e. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

f. Provisions

A provision is recognised in the balance sheet when the Consolidated Entity has a present legal or constructive obligation as a result of a past event that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment annually.

g. Impairment

The carrying amounts of the Consolidated Entity's assets, other than inventories (see accounting policy (m)) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit or a group of units and then, to reduce the carrying amount of the other assets in the unit or a group of units on a pro-rata basis.

Calculation of recoverable amount

Receivables

The recoverable amount of the Consolidated Entity's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date. The allowance for impairment is calculated with reference to the profile of debtors in the Consolidated Entity's sales and marketing regions.

Other Assets
The recoverable amount of other assets is the greater of their fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets (cash generating units). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to the cash generating units that are expected to benefit from the synergies of the combination. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Reversals of Impairment
An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

h. Property, Plant and Equipment

Owned assets
Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (g)).

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.
Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.
The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement.

Leased assets - Operating leases
Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property. Minimum lease payments include fixed rate increases.

Depreciation
The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Buildings	50 years
Leasehold improvements, furniture office equipment, fittings, plant and equipment	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

i. Investments in Associates

Investments in associate companies are recognised in the consolidated financial statements by applying the equity method of accounting. The equity method of accounting recognised the group's share of post-acquisition reserves of its associates. The parent entity's investment in associates are classified as available-for-sale financial assets and brought to account using the cost method.

j. Interests in joint ventures

The economic entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint ventures are brought to account using the cost method.

k. Goodwill

Goodwill and goodwill on consolidation are recorded initially at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. The balances are reviewed annually for impairment.

l. Theme Pubs Acquisition Costs

Theme pubs acquisition costs are stated at cost. Carrying values are reviewed annually and an asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount.

m. Inventories

Inventories comprise food, beverages, linen and consumables, all of which are valued at cost.

Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

n. Employee Benefits

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year have been measured at their nominal amount.

Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions made by the economic entity to employee superannuation funds are charged as expenses when incurred.

o. Receivables

Trade and other receivables are stated at amortised cost less impairment losses (see accounting policy (g)).

p. Taxation

Income tax expense in the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of goodwill and other assets or liabilities in a transaction that affects neither accounting nor taxable profit, or differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based upon the laws that have been enacted at reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on a different tax entity but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

q. Payables

Trade and other payables are stated at amortised cost.

r. Financial Instruments

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial Assets at Fair Value through Profit and Loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets
Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial Liabilities
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal repayments.

s. Finance income and expense

Interest income is recognised as it accrues in the income statement using the effective interest method.

t. Earnings per share

The Consolidated Entity presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the net profit attributable to equity holders of the parent for the financial period, after excluding any costs of servicing equity (other than ordinary shares) by the weighted average number of ordinary shares of the Company.

u. Segment Reporting

The Consolidated Entity determines and presents operating segments based on the information that internally is provided to the Board of Directors, who are the Consolidated Entity's chief operating decision maker. An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Consolidated Entity's other components if separately reported and monitored. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate head office results.

v. Share Capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any income tax benefit.

w. New standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

<u>AASB 9 Financial Instruments</u>
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI').

For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

x. New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

4. FINANCIAL RISK MANAGEMENT

Overview

The Company and Consolidated Entity have exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's and the Consolidated Entity's exposure to each of above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.
The Board of directors has overall responsibility for the establishment and oversight of the risk management and monitors operational and financial risk management throughout the Consolidated Entity. Monitoring risk management includes ensuring appropriate policies and procedures are published and adhered to. The Management reports to the Board of directors.

The Board aims to manage the impact of short-term fluctuations on the Company's and the Consolidated Entity's earnings. Over the longer term, permanent changes in market rates will have an impact on earnings.

The Company and the Consolidated Entity are exposed to risks from movements in exchange rates and interest rates that affect revenues, expenses, assets, liabilities and forecast transactions. Financial risk management aims to limit these market risks through ongoing operational and finance activities.

Exposure to credit, foreign exchange and interest rate risks arises in the normal course of the Company's and the Consolidated Entity's business. Derivative financial instruments are not used to hedge exposure to fluctuations in foreign exchange rates.

The Board of directors oversees the adequacy of the company's risk management framework in relation to the risks faced by the Company and the Consolidated Entity.

Credit Risk

Credit risk is the risk of financial loss to the Company or the Consolidated Entity if a customer, controlled entity or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's and the Consolidated Entity's receivables from customers.

Trade and other receivables

The Company's and Consolidated Entity's exposure to credit risk is influenced mainly by the characteristics of individual customers. The Consolidated Entity does not have a significant concentration of credit risk with a single customer.

Policies and procedures of credit management and administration of receivables are established and executed at a regional level. Individual regions deliver reports to management and the Board on debtor ageing and collection activities on a monthly basis.

In monitoring customer credit risk, the ageing profile of total receivables balances is reviewed by management by region on a monthly basis. Regional management are responsible for identifying high risk customers and placing restrictions on future trading, including suspending future services and administering service on a prepayment basis.

The Company and the Consolidated Entity have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables.

Liquidity Risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity monitors cash flow requirements and produces cash flow projections for the short and long term with a view to optimising return on investments. Typically, the Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational net cash flows for a period of at least 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's and the Consolidated Entity's net profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency Risk

The Consolidated Entity is not exposed to currency risk on financial instruments that are denominated in a currency other than the respective functional currencies of the controlled entities, Australian dollars (AUD).

Interest Rate Risk

The Consolidated Entity is exposed to interest rate risks in Australia.

Capital Management

The Consolidated Entity's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns to shareholders, to provide benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board aims to maintain and develop a capital base appropriate to the Consolidated Entity. In order to maintain or adjust the capital structure, the Consolidated Entity can issue new shares. The Board of directors undertakes periodic reviews of the Consolidated Entity's capital management position to assess whether the capital management structure is appropriate to meet the Consolidated Entity's medium and long-term strategic requirements. Neither the Company nor any of its controlled entities are subject to externally imposed capital requirements. There were no significant changes in the Consolidated Entity's approach to capital management during the year.

5. REVENUE

Consolidated	Note	2016 $	2015 $
Sales revenue		30,098,862	29,625,412
Interest received	5a	55,135	60,566
Distributions	5b	62,500	162,500
Total Revenue		30,216,497	29,848,478

a. Interest revenue from:			
- other corporations		55,135	60,566
Total interest revenue		55,135	60,566

b. Distributions revenue from:			
- other trust		62,500	162,500
Total distributions revenue		62,500	162,500

6. PROFIT FOR THE YEAR

Consolidated	2016 $	2015 $
Profit before income tax is after: Expenses		
Finance costs - external	934,711	885,089
Rental expense on operating leases	3,962,319	3,946,163

7. INCOME TAX

Consolidated	2016 $	2015 $
The components of tax expense comprise:		
Current tax	274,550	500,997
Deferred tax	183,374	(1,927)
Income tax expense/(benefit)	457,924	499,070
Income tax expense/(benefit) - continuing operations	476,454	584,168
Income tax expense/(benefit) - discontinued operations	(18,530)	(85,098)
Total	457,924	499,070
The prima faica tax on proft before income tax in reconciled to the income tax expense as follows:		
Prima facie tax expense/(benefit) on profit at 30%:	406,837	498,467
Add(deduct) tax efftect of : Other Items	51,087	603
Income tax expense / (Benefit)	457,924	499,070

8. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation and the Consolidated Entity's remuneration policy is disclosed in the Remuneration Report section of the Directors Report.

9. OPERATING SEGMENTS

The Consolidated group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of service offerings and operating segments are therefore determined on the same basis.

Transmetro Corporation Limited's operation during the year related to operation of Hotels, Serviced Apartments, Inns and Theme Pubs. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Unallocated items

The following items of income and expense are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Distribution from trust;
- Depreciation and amortisation;
- Finance costs; and
- Income tax expense.

Segment Performance (Continuing Operations)

YEAR ENDED 30.06.2016			
	Hotels, Inns & Apartments $	Theme Pubs $	Total $
Revenue			
External sales	21,347,721	8,751,141	30,098,862
Inter-segment sales	283,588	-	283,588
Interest revenue	55,135	-	55,135
Total segment revenue	21,686,444	8,751,141	30,437,585
Reconciliation of segment revenue to group revenue			
Inter-segment elimination	(283,588)	-	(283,588)
Unallocated Items: Trust Distribution	-	62,500	62,500
Total group revenue	21,402,856	8,813,641	30,216,497
Segment net profit before tax	3,499,183	582,119	4,081,302
Reconciliation of segment result to group net profit/(loss) before tax			
Amounts not included in segment result but reviewed by the Board:			
Unallocated items:			
• Revaluation Increment			132,971
• Depreciation and amortisation			(1,861,671)
• Finance costs			(934,711)
• Income tax expense			(476,454)
Net profit after tax from continuing operations			941,437

YEAR ENDED 30.06.2015			
	Hotels, Inns & Apartments $	Theme Pubs $	Total $
Revenue			
External sales	21,841,086	7,784,326	29,652,412
Inter-segment sales	293,668	-	293,668
Interest revenue	60,566	-	60,566
Total segment revenue	22,195,320	7,784,326	29,979,646
Reconciliation of segment revenue to group revenue			
Inter-segment elimination	(293,668)	-	(293,668)
Unallocated Items: Trust Distribution	-	162,500	162,500
Total group revenue	21,901,652	7,946,826	29,848,478
Segment net profit before tax	4,075,205	502,839	4,578,044
Reconciliation of segment result to group net profit/(loss) before tax			
Amounts not included in segment result but reviewed by the Board:			
Unallocated items:			
• Depreciation and amortisation			(1,747,742)
• Finance costs			(885,089)
• Income tax expense			(584,168)
Net profit after tax from continuing operations			1,361,045

Notes to the financial statements

10. AUDITORS' REMUNERATION

Consolidated	2016 $	2015 $
Remuneration of auditors of the entity for:		
• auditing or reviewing the accounts and consolidated accounts	90,000	87,500
• taxation and secretarial services	9,700	6,700
	99,700	94,200

11. TRADE AND OTHER RECEIVABLES

Consolidated	Note	2016 $	2015 $
Current			
Trade receivables		857,282	760,189
Provision for impairment of receivables	11a	(8,363)	(9,056)
		848,919	751,133
Other receivables		271,449	63,427
Prepayments		125,731	242,007
		1,246,099	1,056,567

a. Provision For Impairment of Receivables

Current trade receivables are non-interest bearing and generally on 30 day terms. A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. These amounts have been included in the other expenses item.

Movement in the provision for impairment of receivables is as follows:

	Opening Balance 1 July 2014	Charge for the Year	Amounts Written Off	Closing Balance 30 June 2015
Consolidated	$	$	$	$
Current trade receivables	(27,323)	-	18,267	(9,056)
	(27,323)	-	18,267	(9,056)

	Opening Balance 1 July 2015	Charge for the Year	Amounts Written Off	Closing Balance 30 June 2016
Consolidated	$	$	$	$
Current trade receivables	(9,056)	-	693	(8,363)
	(9,056)	-	693	(8,363)

There are no balances within trade and other receivables that contain assets that are not impaired and are past due. It is expected these balances will be received when due. Impaired assets are provided for in full.

12. FAIR VALUE MEASUREMENT

The Consolidated Entity measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

– available-for-sale financial assets; and

– freehold properties.

Fair Value Hierarchy

AASB 13 Fair Value Measurements requires the disclosure of fair value measurements by level of the fair value hierarchy that reflects the significance of the inputs used in determining their fair value. The fair value hierarchy is made up of the following three levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at measurement date;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - unobservable inputs for the asset or liability (not based on observable market data).

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Consolidated Entity selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value.

The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured.

The valuation techniques selected by the Consolidated Entity are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Consolidated Entity gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Consolidated Entity's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

Fair Value Measurement

30 June 2016 Consolidated	Note	Level	$
Shares in listed corporations	13	Level 1	506
Freehold Properties	15	Level 3	25,269,532

Valuation techniques used to derive level 3 fair values

Asset Category	Fair Value $	Valuation Technique	Significant Unobservable Inputs	Range	Relationship of Unobservable Inputs to Fair Value
Freehold Properties	25,269,532	Income Approach using discounted cashflow methodology and capitalisation approach.	Adopted capitalisation rate Adopted terminal yield Adopted discount rate	8.25% - 8.50% 8.25% 10.75% - 11.00%	A significant increase or decrease in the adjustment would result in a significantly lower (higher) fair value.

Term	Definition
Discounted Cash Flow (DCF) method present value.	A method in which a discount rate is applied to future expected income streams to estimate the present value.
Income capitalisation method	A valuation approach that provides an indication of value by converting future cash flows to a method single current capital value.
Capitalisation rate	The return represented by the income produced by an investment, expressed as a percentage.
Terminal yield	A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period.
Discount rate	A rate of return used to convert a future monetary sum or cash flow into present value.

Valuation process

The Board reviews the freehold property valuation process on a semi-annual basis. All valuations are performed by independent professionally qualified external valuers. If the external valuation is more than three years old then the property is externally valued. For those with an external valuation less than three year old an assessment is made as to which properties are likely to have had material movements in the book value reported at the last reporting period to determine whether they should be revalued externally. At each reporting date the management will perform initial desktop assessment of current value through a capitalisation of income and discounted cashflow approach. If the result is materially different external independent valuation is conducted.

Sensitivity of Inputs

Asset Category	Valuation technique	Significant unobservable inputs	Sensitivity of fair value measurement to changes in significant unobservable inputs
Freehold Properties	Income Approach using discounted cashflow methodology and capitalisation approach.	Adopted capitalisation rate Adopted terminal yield Adopted discount rate	A significant increase or decrease in the adjustment would result in a significantly lower/higher fair value.

Reconciliation from opening balances to closing balances for recurring Level 3 fair value measurements

CONSOLIDATED	**2016**
Freehold Properties	$
Opening Balance	24,512,132
Transfer into Level 3	-
Transfer out of Level 3	-
Additions by purchase	8,952,028
Net revaluation adjustment	(7,927,126)
Depreciation	(267,502)
Closing Balance	25,269,532

13. OTHER FINANCIAL ASSETS

Consolidated	Note	2016 $	2015 $
Available-for-sale financial assets	13a	155,506	155,506
Less non-current portion		(155,506)	(155,506)
Current portion		-	-
a. Available-for-sale Financial Assets Comprise			
Listed investments, at fair value - shares in listed corporations		506	506
Unlisted investments, at cost - units in unit trusts		155,000	155,000
Total available-for-sale financial assets		155,506	155,506

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost. Unlisted available-for-sale financial assets exist within active markets and could be disposed of if required.

The consolidated group owns 25% of the units of The Brockwell Tavern Trust that trades as a theme pub called The Elephant and Wheelbarrow at Northbridge, Western Australia. The carrying amount of this investment is $155,000.

14. CONTROLLED ENTITIES

Controlled Entities of Transmetro Corporation Limited:	Country of Incorporation	% Owned 2016	% Owned 2015
Metro Inns Trust	Australia	100	100
M.H.G. Albany Pty Limited	Australia	100	100
Metro Hotel Sydney Pty Limited	Australia	100	100
Bank Place Apartments Pty Limited	Australia	100	100
RHS Hospitality Pty Limited	Australia	100	100
MHG Brisbane Pty Limited	Australia	100	100
MHG Operations Pty Limited	Australia	100	100
MHG Karratha Pty Ltd	Australia	100	100
MHG Ipswich Pty Ltd	Australia	100	100
Ipswich International Trust	Australia	100	100
M.H.G Unit Trust	Australia	100	100
Gladstone Hotel Trust	Australia	100	100
Karratha Hotel Trust	Australia	100	100
Melbourne Hotel Trust	Australia	100	100
Brisbane Hotel Trust	Australia	100	100
Controlled Entities of Metro Inns Trust:			
The Irish Pub Unit Trust	Australia	100	100
The Sydney Unit Trust	Australia	100	100
The Duck Inn Unit Trust	Australia	100	100
The Palace Hotel Unit Trust	Australia	100	100
The Rundle Adelaide Trust	Australia	100	100

15. PROPERTY, PLANT & EQUIPMENT

Consolidated	2016 $	2015 $
Freehold properties		
At independent valuation june 2014	-	21,847,711
At independent valuation june 2016	25,269,532	-
Additions at cost	-	2,285,923
Less: accumulated depreciation	-	(161,502)
	25,269,532	24,512,132
Buildings		
At cost	4,397,101	4,397,101
Less: accumulated depreciation	(415,367)	(331,908)
	3,981,734	4,065,193
Leasehold improvements, plant & equipment, office furniture and fittings		
At cost	23,518,691	23,493,259
Less: accumulated depreciation	(18,574,601)	(17,071,094)
	4,944,090	6,422,165
Total property, plant and equipment (non current)	34,195,356	34,999,490
Historical cost If the freehold properties were carried at historical cost, amounts would be as follows:		
At cost	31,836,471	22,884,443
Less: accumulated depreciation	(1,880,669)	(1,540,630)
	29,955,802	21,343,813

Movements in Carrying Amounts:

Consolidated	Freehold Properties $	Buildings $	Leasehold Improvements, Plant & Equipment, Office Furniture and Fittings $	Total $
Balance at 1 July 2014	21,835,287	4,037,268	7,209,847	33,082,401
Additions	2,825,923	82,630	794,511	3,703,064
Transfer to assets held for sale	-	-	(21,048)	(21,048)
Depreciation	(149,078)	(54,075)	(1,561,145)	(1,764,928)
Revaluation	-	-	-	-
Carrying amount at 30 June 2015	24,512,132	4,065,193	6,422,165	34,999,490
Balance at 1 July 2015	24,512,132	4,065,193	6,422,165	34,999,490
Additions	8,952,028	-	25,433	8,977,490
Depreciation	(267,502)	(83,459)	(1,503,508)	(1,854,469)
Revaluation	(7,927,126)	-	-	(7,927,126)
Carrying amount at 30 June 2016	25,269,532	3,981,734	4,944,090	34,195,356

(i) Freehold property at Ipswich was valued by an independent valuer on 22 July 2016 resulting in a revaluation increment of $132,971, which is recognised in the profit or loss to the extent it reverses a previous revaluation decrement.

(ii) Freehold property at Perth was valued by an independent valuer on 8 September 2016 resulting in a revaluation decrement of $8,060,097, which is recognised in the revaluation reserve to the extent it reverses a previous revaluation increment.

16. INTANGIBLE ASSETS

Consolidated	2016 $	2015 $
Goodwill on consolidation	1,064,000	1,064,000
Goodwill	-	348,867
Goodwill transferred to assets held for sale	-	(348,867)
Theme pubs acquisition costs	58,223	90,815
Transfer to assets held for sale	-	(32,592)
Management right acquisition cost	48,005	-
Amortisation of management right acquisition cost	(7,200)	-
	1,163,028	1,122,223

Intangible assets have an indefinite useful life.
Intangibles are allocated to cash generating units, which are based on the Group's reporting segments.

Theme Pubs	1,122,223	1,122,223

The recoverable amount of the cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cashflow projections over a 10 year period, using a conservative estimated growth rate of 4% per annum for revenues generated and the cashflow is discounted at the rate of 15%.

Hotels, Inns & Apartments	40,805	-

17. OTHER NON CURRENT ASSETS

Gaming machine licences, at cost	250,000	250,000
	250,000	250,000

18. TRADE AND OTHER PAYABLES

CURRENT		
Trade payables	1,543,633	1,289,032
Other payables and accruals	1,231,380	1,278,009
	2,775,013	2,567,041

All amounts due for current payables are not interest bearing and generally on 30 day terms.

19. FINANCIAL LIABILITIES

CURRENT		
Secured loans - banks (i)	840,000	840,000
	840,000	840,000
NON CURRENT		
Secured loans - banks (i)	15,391,752	16,450,000
Unsecured loans - related party (ii)	7,204,773	1,146,361
	22,596,525	17,596,361

(i) Security on the secured bank loans is over assets of the parent entity and the subsidiaries. During the previous financial year the secured bank borrowing were extended for an additional three years and the major covenants within the bank borrowing require the interest cover ratio (the ratio of EBITDA to Gross interest) not to be less than 3 times from 2 July 2012 to date on which the facilities are repaid in full.

(ii) On 30 June 2015 the group received an interest free loan of $1,251,000. During FY16 the group received additional interest free loans of $2,705,944 and interest bearing loans of $3,456,000 from an entity associated with a director and a majority shareholder of the group. These loans are repayable over approximately one and half years.

Using prevailing market interest rates for an equivalent loan of 5.14%, the fair value of these loans is estimated at $7,034,481. The difference of $378,463 between the gross proceeds and the fair value of the loans is additional capital contribution to the group. Notional interest accrued on the interest free portion of the loans during FY16 was $170,292. Interest expenses will be recognised on these loans in 2017 and 2018.

20. TAX

a. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities	Assets		Liabilities		Net	
	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $
Property, plant and equipment	540,041	490,842	53,389	23,244	486,651	467,598
Capital allowances claimed	(733,095)	-	-	-	(733,095)	-
Revaluation adjustments – income statement	2,824,577	2,864,468	-	-	2,824,577	2,864,468
Revaluation adjustments – equity	-	-	775,222	3,193,252	(775,222)	(3,193,252)
Intangible Assets	6,000	6,000	-	-	6,000	6,000
Provisions	260,558	278,360	-	-	260,558	278,360
Capital losses	261,230	261,230	-	-	261,230	261,230
Deferred tax assets/(liabilities)	3,159,311	3,900,900	828,612	3,216,496	2,330,699	684,404

b. Reconciliations

Consolidated	2016 $	2015 $
(i) Gross Movements The overall movement in deferred tax accounts is as follows:		
Opening balance (Charge)/credit to income statement	684,404	682,477
- continuing operations	(764,194)	(21,373)
- discontinued operations	(7,540)	23,300
Charge/(credit) to equity	2,418,029	-
Closing balance	2,330,699	684,404
(ii) Amounts recognised in income statement CONTINUING OPERATIONS Deferred tax (charged) / credited to the income statement relates to:		
Temporary differences for depreciation of property, plant and equipment	19,055	19,147
Provisions	(10,263)	(40,520)
Capital loss deferred	(733,094)	-
Revaluation adjustment	(39,892)	-
	(764,194)	(21,373)
DISCONTINUED OPERATIONS Deferred tax (charged) / credited to the income statement relates to:		
Temporary differences for depreciation of property, plant and equipment	-	(44,385)
Provisions	(7,540)	872
Capitol loss deferred	-	66,813
	(7,540)	23,300
(iii) Amounts recognised in equity Deferred tax (charged) / credited to the equity relates to:		
Revaluation adjustment	2,418,029	-
	2,418,029	-

c. Liabilities

Consolidated	Note	2016 $	2015 $
CURRENT			
Income tax		(167,985)	(60,493)

21. PROVISIONS

Annual leave		424,350	495,724
Long service leave		344,059	332,290
		768,409	828,014

22. ISSUED CAPITAL

13,382,778 (2015: 13,382,778) ordinary shares fully paid		6,855,964	6,855,964

The company has authorised share capital amounting to 50,000,000 ordinary shares of no par value.

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

a. Capital Management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to ensure that the group's gearing ratio remains between 30% and 60%.

The gearing ratios for the year ended 30 June 2016 and 30 June 2015 are as follows:

Total borrowings	19	23,436,525	18,436,361
Less cash and cash equivalents		1,777,094	2,638,650
Net debt		21,659,431	15,797,711
Total equity		14,567,225	19,706,407
Total capital		36,226,656	35,504,118
Gearing ratio		59.79%	44.50%

23. RESERVES

a. Asset Revaluation Reserve

Consolidated	2016 $	2015 $
Balance at the beginning of the year	8,503,425	8,503,425
Revaluation of freehold property	(8,060,097)	-
Movement in deferred tax liability relating to revaluations	2,418,029	-
Balance at the end of the year	2,861,357	8,503,425

The asset revaluation reserve records revaluations of non current assets.

b. Capital Contribution Reserve

Balance at the beginning of the year	104,639	-
Capital contribution during the year	273,824	104,639
Balance at the end of the year	378,463	104,639
The capital contribution reserve records the difference between the gross proceeds and the fair value of interest free loan (Note 19)		
TOTAL RESERVES	3,239,820	8,608,064

24. DIVIDENDS

Fully franked final dividend of 5 cents (2015: 5 cents) per share	669,139	669,139
	669,139	669,139
Franking credits available at the end of the year adjusted for franking credits arising from income tax payable and franking debits arising from payment of proposed dividends	6,984,411	7,472,709

25. EARNINGS PER SHARE

Profit / (Loss) from continuing operations	941,437	1,361,045
Profit / (Loss) from discontinued operations	(43,237)	(198,559)
Profit / (Loss) attributable to members of the parent entity	898,200	1,162,486
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	13,382,778	13,382,778
Basic and diluted earnings per share from continuing operations	7.03	10.17
Basic and diluted earnings per share from discontinued operations	(0.32)	(1.48)
Basic and diluted earnings per share attributable to members of the parent entity	6.71	8.69

26. CONTINGENT LIABILITIES

As at 30 June 2016 no contingent liabilities existed, except that various bank guarantees have been given in the ordinary course of business. It is not expected that these guarantees will be called upon.

27. COMMITMENTS

a. Leasing Committments

Consolidated	2016 $	2015 $
Total commitments for future property, plant and equipment operating lease rentals:		
- Not later than one year	3,868,831	3,946,163
- Later than one year and not later than five years	13,636,607	11,024,355
- Later than five years	2,249,755	-
	19,755,193	14,970,518

Property leases entered into by the consolidated group are generally fixed-term non-cancellable leases with options for renewal, with lease payments adjusted annually by CPI and periodic adjustment of lease payments to market rental.

b. Capital Commitments

No capital commitments existed at 30 June 2016.

28. RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT AFTER INCOME TAX

Profit after income tax	898,200	1,162,486
Revaluation loss/(gain) on freehold property	(132,971)	-
Impairment of assets held for sale	-	99,550
Depreciation, amortisation and diminution	2,031,962	1,764,929
Movement in deferred tax accounts	771,734	(1,927)
Increase/(decrease) in income tax payable	(107,492)	243,943
Increase/(decrease) in provisions	(59,605)	(116,402)
(Increase)/decrease in receivables and prepayments	(189,531)	332,817
(Increase)/decrease in inventories	(29,664)	(3,327)
Increase/(decrease) in creditors	207,971	185,826
Net cash provided/(used) by operating activities	3,390,604	3,667,895

29. RECONCILIATION OF CASH

Cash at the end of the year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash at bank and on hand	1,777,095	2,638,650
Bank overdraft	-	-
	1,777,095	2,638,650

30. FINANCING FACILITIES

Firmly committed financing facilities of $25,102,944 were available to the group at the end of the financial year, of which $23,644,696 has been utilised at the end of the financial year.
Loan facilities available to the parent entity:
(a) bank overdraft
(b) fixed advances

31. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

a. Discontinued Operations

In April 2015 the consolidated entity decided to dispose of Paddy Maguires Irish pub business in Subiaco, WA. An agreement for sale of the business was signed on 30 June 2015 and the sale was finalised on 6 November 2015.

Financial information relating to the discontinued operations is set out below.
The financial performance of the discontinued operation to the date of sale which is included in loss from discontinued operations per the statement of comprehensive income is as follows:

Consolidated	2016 $	2015 $
Revenue	636,705	1,620,936
Expenses	698,472	1,904,593
Profit/(Loss) before income tax	(61,767)	(283,657)
Income tax (expense)/benefit	18,530	85,098
Profit/(Loss) attributable to members of the parent entity	(43,237)	(198,559)

The net cash flows of the discontinuing operations which have been incorporated into the statement of cash flows are as follows:

Net cash inflow/(outflow) from operating activities	(361,387)	(6,374)
Net cash inflow/(outflow) from investing activities	338,750	(7,735)
Net cash inflow/(outflow) from financing activities	-	-
Net cash inflow/(outflow) generated by the discontinuing operations	(22,637)	(14,109)

b. Assets Held for Sale

Plant & Equipment (WDV)	-	21,048
Inventories	-	35,793
Goodwill and Pubs Acquisition Costs	-	281,909
TOTAL	-	338,750

At 30 June 2015, following the acceptance of an offer, the consolidated entity recognised an impairment loss for write-down of the disposal group to fair value less cost to sell. The impairment loss of $99,550 has been included in the FY15 loss from discontinued operations in the consolidated statement of profit or loss.

32. EVENTS SUBSEQUENT TO BALANCE DATE

No matter or circumstance has arisen since the end of the financial year, except for the revaluation of the freehold properties resulting in a net revaluation decrement of $7,927,126 taken to account at 30 June 2016

33. FINANCIAL INSTRUMENTS

Financial instrument composition and maturity analysis:
The following tables reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management’s expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

Consolidated	Effective Interest Rate 2016 %	Effective Interest Rate 2015 %	Carrying Amount 2016 $	Carrying Amount 2015 $	Within 1 Year 2016 $	Within 1 Year 2015 $	1 to 5 Years 2016 $	1 to 5 Years 2015 $	Over 5 Years 2016 $	Over 5 Years 2015 $
Financial Assets										
Cash and Cash Equivalents	2.00	2.00	1,777,094	2,638,650	1,777,094	2,638,650	-	-	-	-
Receivables			1,246,099	1,056,567	1,246,099	1,056,567	-	-	-	-
Investments			155,506	155,506	-	-	-	-	155,506	155,506
Total Financial Assets			3,178,699	3,850,723	3,023,193	3,695,217		-	155,506	155,506
Financial Liabilities										
Bank Loans	4.00	4.16	16,231,752	17,290,000	840,000	840,000	15,391,752	16,450,000	-	-
Related Party Loans	5.14	3.95	7,204,773	1,146,361	-	-	7,204,773	1,146,361	-	-
Trade and Other Payables			2,775,013	2,567,041	2,775,013	2,567,041	-	-	-	-
Total Financial Liabilities			26,211,538	21,003,402	3,615,013	3,407,041	22,596,525	17,596,361	-	-

Credit Risk

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Consolidated	2016 $	2015 $
Cash and equivalents	1,777,094	2,638,650
Trade receivables	848,919	751,133
Other receivables	271,449	63,427
	2,897,462	3,453,210

Impairment Losses

The aging of the trade receivables at the reporting date was:

Gross receivables		
Not past due date	709,553	730,189
Past due 0 – 30	115,160	17,208
Past due 31 – 60	23,572	3,391
Past due 60 – 90	8,997	9,585
Past due 90 days and over	-	-
	857,282	760,189
Impairment	(8,363)	(9,056)
Trade receivables net of impairment loss	849,919	751,133

The movement in the allowance for impairment in respect of trade receivables during the year is shown in note 11a. Impairment losses recognised in the year relate to significant individual customers, which have been assessed as impaired under the consolidated group's accounting policy as detailed on Note 1(g).

Based upon past experience, the consolidated group believes that no impairment allowance other than as provided in these accounts is necessary in respect of trade receivables not past due.

The allowance accounts used in respect of trade receivables are used to record impairment losses unless the consolidated group is satisfied that no recovery of the amount owing is possible; at that point, the amount considered non-recoverable is written off against the financial asset directly.

Foreign Currency Risk

The group is not exposed to foreign currency risk.

Interest Rate Risk

Profile

At the reporting date, the interest rate profile of the company's and consolidated group's interest bearing financial instruments was:

Consolidated	2016 $	2015 $
Carrying Amount; Variable rate instruments		
Financial assets	1,379,367	1,349,820
Financial liabilities	23,436,525	18,436,361

Other Price Risk

The consolidated group invests surplus cash in publicly traded listed securities and in doing so it exposes itself to the fluctuations in price that are inherent in such a market. The Board makes investment decisions on advice from professional advisors.

The consolidated group's exposure to equity price risk is as follows:

Carrying amount		
Listed securities (ASX)	506	506

Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Price Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2016, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

Change in profit		
- Increase in interest rate by 2%	(262,026)	(234,710)
- Decrease in interest rate by 2%	262,026	234,710
Change in Equity		
- Increase in interest rate by 2%	(262,026)	(234,710)
- Decrease in interest rate by 2%	262,026	234,710

Foreign Currency Risk Sensitivity Analysis

The group is not exposed to fluctuations in foreign currencies.

Price Risk Sensitivity Analysis

At 30 June 2016, the effect on profit and equity as a result of changes in the price risk, with all other variables remaining constant would be as follows:

Consolidated	2016	2015
Change in profit		
- Increase in price of ASX listed securities by 5%	-	-
- Decrease in price of ASX listed securities by 5%	-	-
- Increase in price of other listed securities by 5%	-	-
- Decrease in price of other listed securities by 5%	-	-
Change in Equity		
- Increase in price of ASX listed securities by 5%	25	25
- Decrease in price of ASX listed securities by 5%	(25)	(25)
- Increase in price of other listed securities by 5%	-	-
- Decrease in price of other listed securities by 5%	-	-

The above interest rate and foreign exchange rate and price risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

In managing interest rate risks, the consolidated group aims to reduce the impact of short-term fluctuations on the consolidated group's earnings. Over the longer term however, permanent changes in interest rates will have an impact on the result.

Fair Values

The fair values of financial assets and liabilities, together with carrying amounts shown in the balance sheet are as follows:

	2016		2015	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Cash and equivalents	1,777,094	1,777,094	2,638,650	2,638,650
Trade and other receivables – current	1,246,099	1,246,099	1,056,567	1,056,567
Trade and other payables	(2,775,015)	(2,775,015)	(2,567,041)	(2,567,041)
Investments	155,506	155,506	155,506	155,506
Loans	(23,436,525)	(23,436,525)	(18,436,361)	(18,436,361)
Total	(23,032,841)	(23,032,841)	(17,152,679)	(17,152,679)

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Non-derivate financial assets and liabilities

The fair value of cash, receivables, payables and short-term borrowings is considered to approximate their carrying amount because of their short maturity.

The directors consider the carrying amount of long term borrowings recorded in the financial statements approximated their fair value.

34. PARENT ENTITY DISCLOSURES

At and throughout the financial year ended 30 June 2016, the parent company was Transmetro Corporation Limited.

	Company	
Result of the parent entity	30 June 2016 $	30 June 2015 $
Net profit (loss)	(449,898)	93,379
Other comprehensive income	-	-
Total comprehensive income	(449,898)	93,379
Financial position of the parent entity at year end		
Current assets	2,654,812	3,042,276
Total assets	44,601,499	48,584,043
Current liabilities	1,561,619	1,501,177
Total liabilities	25,658,771	23,154,034
Total equity of the parent entity comprising of:		
Issued capital	6,855,964	6,855,964
Reserves	3,239,820	8,608,064
Retained earnings	8,846,944	9,965,981
Total Equity	18,942,728	25,430,009

Parent entity contingencies

There are no other contingent liabilities and future commitments in respect to the Parent Entity except for:

Leasing commitments

Total commitments for future property, plant and equipment operating lease rentals:

Not later than one year	598,601	529,280
Later than one year and not later than five years	2,295,242	1,961,319
Later than five years	403,814	-
	3,297,657	2,490,599

35. RELATED PARTY TRANSACTIONS

The Consolidated Entity's related party transactions are with an entity that is controlled by one of the director and majority shareholder of the Company. Details of the related party transactions are disclosed below:

Loan from key management personnel		
Beginning of the year	1,251,000	-
Loans advanced	6,161,944	1,251,000
Interest charged	78,135	-
Loan repayment	(78,135)	-
End of the year	7,412,944	1,251,000

During the year under review Thornbush Corporation Limited (Thornbush), a company associated with Mr J A C McEvoy a director and majority shareholder of the Company, agreed to underwrite the development of the construction of the new wing of Metro Hotel Perth up to $7.413 million. Thornbush advanced unsecured funds to the Consolidated Entity to meet its construction commitments as they occurred either free of fees and interest or at a rate that covers the cost of funding to Thornbush. The loans are to be repaid within 1.5 years.

Stock Exchange Information

At 14 September 2016 the issued capital was 13,382,778 ordinary shares held by 518 shareholders.

Range of holdings	No. of Shareholders
1 - 1,000	327
1,001 - 5,000	145
5,001 - 10,000	14
10,001 - 100,000	28
100,001 - 9,999,999,999	4
	518
Holding less than a marketable parcel	251

The Register of Substantial shareholders discloses the following:

Mr John McEvoy	5,942,114
Taweva Pty Ltd	3,553,500
National Australia Trustees Ltd	2,010,000

TWENTY LARGEST EQUITY SECURITY HOLDERS

The names of the 20 largest holders of ordinary shares at 14 September 2016

	Shareholder	Unit	% of Issued Capital
1	Mr John McEvoy	5,942,114	44.40%
2	Taweva Pty Ltd	3,553,500	26.55%
3	National Australia Trustees Ltd	2,010,000	15.02%
4	HSBC Custody Nominees (Australia) Ltd	660,000	4.93%
5	Lasono Pty Ltd	100,000	0.75%
6	Shamwari Pty Ltd	60,000	0.45%
7	Garrison Securities Pty Ltd	49,010	0.37%
8	Mr Geoffrey Marr	40,000	0.30%
9	Midwest Radio Pty Ltd	30,000	0.22%
10	Mrs Marianne Brockwell	28,000	0.21%
11	Guritali Pty Ltd	22,500	0.17%
12	Estate late Beryl McEvoy	22,500	0.17%
13	Mainstream Pty Ltd	20,500	0.15%
14	Swancliff Pty Ltd	20,094	0.15%
15	Mr Neil Patrick McEvoy	20,000	0.15%
16	Western Plaza Hotel Corporation Pty Ltd	20,000	0.15%
17	Mr Rodney Andrew Partridge	18,802	0.14%
18	Mr Andrew Hendrik Grove	17,800	0.13%
19	Mr Peter Joseph Mcinally & Mrs Dale Susan Mcinally	17,257	0.13%
20	Midwest Radio Limited	16,500	0.12%
		12,668,577	94.66%

The names of the Company Secretaries are Jakin Agus and David Lloyd

The address of the principal registered office is :
Suite 53, Level 3
330 Wattle Street, Ultimo
Sydney New South Wales 2007

A Registry of Shareholders is also held by:
Share Registrar
Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street, Sydney NSW 2000

Voting Rights

Ordinary shareholders are entitled to one vote for each share held. On a show hands every member present in person or by proxy shall have one vote and upon a poll, every member so present shall have one vote for every share held.

CORPORATE DIRECTORY

Registered Office	Suite 53, Level 3, 330 Wattle Street, Ultimo, Sydney NSW 2007
Metro Hospitality Group Office	Suite 53, Level 3, 330 Wattle Street, Ultimo, Sydney NSW 2007 T: 61 2 8217 3333 F: 61 2 8217 3300
Directors	John McEvoy, Alan Notley, David Lloyd and Peter Frawley
Company Secretaries	David Lloyd and Jakin Agus
Managing Director	Peter Frawley
Group Financial Controller	Jakin Agus
Share Registry	Computershare Investor Services Pty Ltd Level 4, 60 Carrington Street, Sydney NSW 2000
Bankers	Bank of Western Australia Ltd Level 11, 45 Clarence Street, Sydney NSW 2000 Commonwealth Bank of Australia 48 Martin Place, Sydney NSW 2000 ANZ Banking Group Limited 665-669 George Street Haymarket, Sydney NSW 2000
Auditors	Stirling International Level 4, 283 Clarence Street, Sydney NSW 2000
Solicitors	Staunton & Thompson Level 5 Manly National Building, 22 Central Avenue, Manly NSW 2095
Stock Exchange Listing	Australian Securities Exchange (ASX) 20 Bridge Street, Sydney NSW 2000 Listing Code: TCO Market Call code 2898
Contact Details	www.metrohotels.com.au Toll Free Reservations: 1800 00 4321 or reservations@metro.com

ANNUAL GENERAL MEETING

Thursday 24th November 2016 at 10:00 am

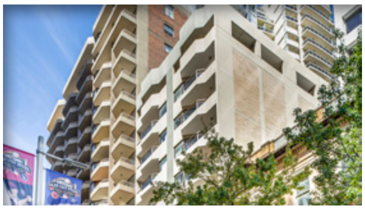
To be held at: Suite 53, Level 3, 330 Wattle Street, Ultimo Sydney NSW 2007

Metro Hotel Marlow Sydney Central
431-439 Pitt Street
Sydney NSW 2000
T: 61 2 9281 6999

Metro Hotel on Pitt
300 Pitt Street
Sydney NSW 2000
T: 61 2 9283 8088

Aspire Hotel Sydney
383-389 Bulwara Road,
Ultimo, Sydney NSW 2007
T: 61 2 9211 1499

Metro Apartments Darling Harbour
132-136 Sussex Street
Darling Harbour, Sydney, NSW 2000
T: 61 2 9290 9200



Metro Apartments on King
27-29 King Street
Darling Harbour, Sydney, NSW 2000
T: 61 2 9290 9200

Metro Inn Ryde
Cnr Victoria Rd & Bowden Street,
Ryde, Sydney NSW 2112
T: 61 2 9807 4022

Metro Hotel Miranda
Cnr The Kingsway & Jackson Ave,
Miranda, Sydney NSW 2228
T: 61 2 9525 7577

Metro Mirage Hotel Newport
2 Queens Parade West
Newport, Sydney NSW 2106
T: 61 2 9997 7011

Metro Apartments on Bank Place
18 Bank Place,
Melbourne VIC 3000
T: 61 3 9604 4321

Metro Hotel on Tower Mill
239 Wickham Terrace, Brisbane QLD 4000
T: 61 7 3832 1421

Metro Hotel Ipswich International
43 South Street, Ipswich QLD 4305
T: 61 7 3812 8077

Metro Hotel & Apartments Gladstone
22-24 Roseberry Street, Gladstone QLD 4680
T: 61 7 4972 4711

Apartments G60 Gladstone
55 Central Lane, Gladstone QLD 4680
T: 61 7 4972 4711

Metro Hotel Perth
61 Canning Highway, South Perth WA 6151
T: 61 8 9367 6122

Groote Eylandt Lodge
1 Bouganvillea Drive, Groote Eylandt NT 0885
T: 61 8 8987 7077

Palace Hotel since 1877
Cnr George & Hay Streets,
Sydney NSW 2000
T: 61 2 9212 2111

The Elephant
1 Cinema Place
Adelaide SA 5000
T: 61 8 8227 1633