

Transmetro Corporation Limited ABN 45 001 809 043
and Controlled Entities

Appendix 4D and Half-Year Financial Report
31 December 2011

This half-year report is for the six months ended 31 December 2011. The previous corresponding period is the half-year ended 31 December 2010.

The information in this report should be read in conjunction with the most recent annual financial report.

Results for announcement to the market

\$A'000

E.B.I.T.D.A.	Up	27%	to	3,407
Revenues from ordinary activities	Up	6.2 %	to	18,175
Net Loss from ordinary activities after tax attributable to members	Down		to	(4,410)
Net Loss for the period attributable to members	Down		to	(4,410)
Dividends		Amount per security		Franked amount per security
Final dividend		- ¢		- ¢
Interim dividend		- ¢		- ¢
Record date for determining entitlements to the dividend	<input type="text"/>			
Brief explanation of any of the figures reported above:	Refer to comments in the attached Directors' Report.			
NTA Backing		31 December 2011		30 June 2011
Net tangible asset backing per share		\$1.46		\$1.31

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DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2011.

Directors

The names of directors who held office during or since the end of the half-year:

John McEvoy (Chairman and Executive Director)	Director since November 1979
Alan Notley (Non-Executive Director)	Director since October 1994
David Lloyd (Non-Executive Director)	Director since March 2002
Susan Notley (Non-Executive Director)	Director since September 2008
(Alternate for Alan Notley)	

Review of Operations

Total Revenue from continuing operations increased \$1.06M to \$18.18M which is a 6.2% increase from the corresponding period in 2010.

The consolidated entity's EBITDA increased \$716k to \$3.41M a 27% increase on the previous corresponding period.

Net Loss after tax for the year was \$4.4M compared to a Net Profit after tax of \$3.4M for the previous corresponding period. This was due to unrealised valuation loss on freehold property.

Rounding of Amounts

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000.

Auditor's Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 15 for the half-year ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors.



Director

John Mc Evoy

Dated this 29 February 2012

The accompanying notes form part of this financial report.

**Transmetro Corporation Limited ABN 45 001 809 043
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED

31-Dec-11

	Consolidated Group	
	31.12.2011	31.12.2010
	\$000	\$000
Sales Revenue	17,866	16,909
Interest income	109	70
Trust Distribution	200	138
Total Revenue	18,175	17,117
Cost of Sales	(1,959)	(2,157)
Employee benefits expense	(4,991)	(4,816)
Other expenses	(7,818)	(7,453)
EBITDA	3,407	2,691
Loss on valuation of freehold property	(8,731)	-
Depreciation and amortisation expense	(720)	(740)
Finance costs	(254)	(363)
Profit/(Loss) before income tax from continuing operations	(6,298)	1,588
Income tax (expense)/benefit	1,888	(490)
Profit/(Loss) from continuing operations	(4,410)	1,098
Discontinued Operation		
Profit from discontinued operation (net of tax) attributable to:		
Members of the parent entity	-	2,320
Profit/(Loss) from operations attributable to:		
Members of the parent entity	(4,410)	3,418
Earnings per share		
From continuing operations:		
Basic and diluted earnings per share (cents)	(32.95)	8.20

The accompanying notes form part of this financial report.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED

31-Dec-11

	Consolidated Group	
	31.12.2011	31.12.2010
	\$000	\$000
Profit/(Loss) for the period	(4,410)	3,418
 Other comprehensive income		
Revaluation increment on freehold property	8,726	-
Revaluation increment/(decrement) on other financial assets	-	(128)
Income tax relating to components of other comprehensive income	<u>(2,618)</u>	<u>39</u>
Other comprehensive income for the period, net of tax	6,108	(89)
Total comprehensive income for the period	<u>1,698</u>	<u>3,329</u>
 Total comprehensive income attributable to:		
Members of the parent entity	1,698	3,329

The accompanying notes form part of this financial report.

**Transmetro Corporation Limited ABN 45 001 809 043
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT

31-Dec-11

	Consolidated Group	
	31.12.2011	30.06.2011
	\$000	\$000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	3,472	4,776
Trade and other receivables	2,418	2,014
Investments accounted for using the equity method	65	1,287
Inventories	272	250
TOTAL CURRENT ASSETS	6,227	8,327
NON-CURRENT ASSETS		
Property, plant and equipment	37,227	19,637
Deferred tax assets	3,687	1,363
Intangible assets	1,504	1,504
Other financial assets	156	156
Other non current assets	280	280
TOTAL NON-CURRENT ASSETS	42,854	22,940
TOTAL ASSETS	49,081	31,267
CURRENT LIABILITIES		
Trade and other payables	2,800	2,640
Borrowings	1,075	4,500
Current tax liabilities	322	758
Short-term provisions	959	919
TOTAL CURRENT LIABILITIES	5,156	8,817
NON-CURRENT LIABILITIES		
Borrowings	19,160	2,000
Deferred tax liabilities	4,420	1,803
TOTAL NON-CURRENT LIABILITIES	23,580	3,803
TOTAL LIABILITIES	28,736	12,620
NET ASSETS	20,345	18,647
EQUITY		
Issued capital	6,856	6,856
Reserves	11,378	5,270
Retained earnings	2,111	6,521
TOTAL EQUITY	20,345	18,647

The accompanying notes form part of this financial report.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED
31-Dec-11**

	Issued Capital Ordinary	Asset Revaluation Reserve	Retained Earnings	Total
	\$000	\$000	\$000	\$000
Balance at 1.7.2010	6,856	5,751	4,513	17,120
Profit Attributable to members of the parent entity	-	-	3,418	3,418
Transfer prior year revaluation increment to retained earnings on sale of property	-	(1,059)	1,059	-
Revaluation decrement on other financial assets	-	(89)	-	(89)
Dividend paid	-	-	(2,007)	(2,007)
Balance at 31.12.2010	<u>6,856</u>	<u>4,603</u>	<u>6,982</u>	<u>18,441</u>
Balance at 1.7.2011	6,856	5,270	6,521	18,647
Loss Attributable to members of the parent entity	-	-	(4,410)	(4,410)
Revaluation increment on freehold property	-	6,108	-	6,108
Balance at 31.12.2011	<u>6,856</u>	<u>11,378</u>	<u>2,111</u>	<u>20,345</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED

31-Dec-11

Consolidated Group

	31.12.2011	31.12.2010
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	17,528	17,217
Payments to suppliers and employees	(14,811)	(14,321)
Distributions and dividends received	200	5,991
Interest received	108	70
Interest paid	(254)	(363)
Income tax refund/(paid)	(871)	(314)
Net cash provided by operating activities	<u>1,900</u>	<u>8,280</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	<u>(18,116)</u>	<u>(389)</u>
Net cash used in investing activities	<u>(18,116)</u>	<u>(389)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sales of investments	1,412	-
Proceeds from borrowings	20,000	216
Repayment of borrowings	(6,500)	-
Dividends paid	-	(2,409)
Net cash (used in)/provided by financing activities	<u>14,912</u>	<u>(2,193)</u>
Net decrease in cash held	(1,304)	5,698
Cash and cash equivalents at beginning of period	<u>4,776</u>	<u>1,549</u>
Cash and cash equivalents at end of period	<u><u>3,472</u></u>	<u><u>7,247</u></u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Transmetro Corporation Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2011, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Operating Segments

From 1 January 2010, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

Note 2: PROFIT/(LOSS) FOR THE PERIOD

	Consolidated Group	
	31.12.2011	31.12.2010
	\$000	\$000
a. Expenses		
Profit/(Loss) for the period is after:		
Foreign currency translation (gain)/loss	(2)	56
Rental expenses on operating leases	4,331	4,311
b. Significant Items		
The following significant items are relevant in explaining the financial performance:		
Share of profits on sale of hotel properties included in profit from discontinued operation	-	2,974

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 3: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The 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;

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Note 3: Operating Segments (cont'd)

Segment performance

	Hotels, Inns & Apartments	Theme Pubs	Total
	\$000	\$000	\$000
Six months ended			
31.12.2011			
Revenue			
External sales	13,823	4,043	17,866
Inter-segment sales	189	-	189
Interest and Dividends revenue	109	-	109
Total segment revenue	14,121	4,043	18,164
<i>Reconciliation of segment revenue to group revenue</i>			
Inter-segment elimination	(189)	-	(189)
Unallocated items:			
Trust distribution	-	200	200
Total group revenue	13,932	4,243	18,175
Segment net profit before tax	3,365	42	3,407
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>			
Amounts not included in segment result but reviewed by the Board:			
• Revaluation Decrement			(8,731)
Unallocated items:			
• Depreciation and amortisation			(720)
• Finance costs			(254)
• Income tax expense			1,888
Net Profit/(Loss) after tax from continuing operations			(4,410)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Note 3: Operating Segments (cont'd)

Segment performance

	Hotels, Inns & Apartments \$000	Theme Pubs \$000	Total \$000
Six months ended			
31.12.2010			
Revenue			
External sales	12,276	4,634	16,910
Inter-segment sales	170	-	170
Interest and Dividends revenue	37	32	69
Total segment revenue	12,483	4,666	17,149
<i>Reconciliation of segment revenue to group revenue</i>			
Inter-segment elimination	(170)	-	(170)
Unallocated items:			
Trust distribution	-	138	138
Total group revenue	12,313	4,804	17,117
Segment net profit before tax	2,165	526	2,691
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>			
Amounts not included in segment result but reviewed by the Board:			
Unallocated items:			
• Depreciation and amortisation			(740)
• Finance costs			(363)
• Income tax expense			(490)
Net profit after tax from continuing operations			1,098

NOTE 4: SUBSIDIARY COMPANIES ACQUIRED DURING THE PERIOD

MHG Ipswich Pty Ltd was incorporated in November 2011

NOTE 5: INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The company participates in a joint venture that owned the Metro Hotel on Pitt. The investment in the joint venture is accounted for in the consolidated financial statements using the equity method of accounting.

Under the joint venture agreement the parent company has a 31.1364% (30 June 2011: 31.1364%) interest in the assets and liabilities of the joint venture and is entitled to 31.1364% (31 December 2011: 31.1364%) of the profits generated by the joint venture.

The contribution by the joint venture to consolidated net profit for the half-year ended 31 December 2011 was \$Nil (2010: \$794k).

The parent company holds 22.5467% (31 December 2011: 22.5467%) of the units in a unit trust that purchased the Metro Hotel Sydney Central in March 2005. The contribution by the unit trust to consolidated net profit for the half-year ended 31 December 2011 was a profit of \$Nil (2010:\$1,526k).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 6: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the financial period, the directors are not aware of any matter that has significantly affected or may significantly affect the operations of the Company in subsequent financial periods.

**Transmetro Corporation Limited ABN 45 001 809 043
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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 2 to 11 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.
2. 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.



Director: John McEvoy

Dated this 29th February 2012



STIRLING INTERNATIONAL

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF TRANSMETRO CORPORATION LIMITED AND CONTROLLED ENTITIES

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Transmetro Corporation Limited, which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies and other selected explanatory notes and the directors' declaration of the Consolidated Entity comprising the company and the entities it controlled at the half year's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Transmetro Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Transmetro Corporation Limited is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- complying with AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Stirling International
Chartered Accountants



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Peter Turner

Partner

29th February 2012

283-285 Clarence St Sydney 2000

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 half-year ended 31 December 2011 there have been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

Stirling International
Chartered Accountants



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Peter Turner

Partner

29th February 2012

283-285 Clarence St Sydney 2000