

**THAKRAL HOLDINGS GROUP (THG)**  
**Results for the Six Months Ended 31 December 2011**

- **Profit before fair valuations \$7.7 million - up from \$6.2 million**
- **Statutory Profit \$0.7 million**
- **Total Comprehensive Income \$1.2 million**
- **NTA 96 cents<sup>1</sup>**

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Thakral Holdings Group (“Thakral”) today announced a profit after tax (Statutory Profit) of \$659,000 for the six month ended 31 December 2011. Profit before fair value adjustments of \$7.7 million increased by \$1.5 million. After adjusting for increases in the value of hotels and other non-cash items, the Group’s Total Comprehensive Income was \$1.2 million.

Net tangible asset backing of 96 cents compared to 97 cents at 30 June 2011<sup>1</sup>.

At 31 December, all the Group’s Australian Hotels, Retail & Commercial properties were independently valued. This resulted in a net increase of \$0.7 million. As previously advised, the amount that relates to hotels, a net gain of \$4.3 million, is not reflected in the Statutory Profit and as such only forms part of Total Comprehensive Income. The value of the Group’s investment properties (Retail & Commercial) fell by \$3.6 million. This was accounted for in the Statutory Profit.

The reduction of debt during the period has resulted in finance cost reducing by over \$9.4 million to \$17.4 million.

The six months has seen a continuation of the strong market fundamentals for CBD hotels. Thakral’s hotels increased their profit in the period, on a like property basis, by 2% while occupancy in the three main markets in which Thakral owns hotels, namely: Brisbane, Sydney and Melbourne reached 82%, 86% and 81% respectively. These high levels of occupancy resulted in increasing rates which we expect to grow.

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<sup>1</sup> Including the fair value of operating leasehold land

## SEGMENT CONTRIBUTIONS

Half Year ended 31 December	2011 \$'m	2010 \$'m
Hotels <sup>2</sup>	31.3	30.6
Retail & Commercial <sup>2</sup>	8.1	9.0
Disposed properties	-	7.0
Development (before Inventory write down)	(1.8)	(0.4)
<b>Divisional Contribution before Interest</b>	<b>37.6</b>	<b>46.2</b>
Corporate Expenses	(5.2)	(4.0)
<b>EBITDA</b>	<b>32.4</b>	<b>42.2</b>
Interest	(17.4)	(26.8)
Depreciation	(7.3)	(9.2)
<b>Profit before fair valuations</b>	<b>7.7</b>	<b>6.2</b>
Investment Property Revaluations	(3.6)	(6.0)
Inventory Write Down	(2.0)	-
Unrealised FX and Hedge movements	(1.3)	2.4
Income Tax	(0.1)	(0.1)
<b>Statutory profit after tax</b>	<b>0.7</b>	<b>2.5</b>
Hotel Revaluations	4.3	28.2
Other unrealised gains/(losses)	(3.8)	3.3
<b>Total Comprehensive Income</b>	<b>1.2</b>	<b>34.0</b>

## HOTELS

The profit from the Hotel Division was \$31.3 million, 2% up on the previous period on a like for like property basis. This was the highest profit achieved from the portfolio for the comparable period. As a result of the Group's strategy to drive rate, average room rate increased by 3.8% to \$189 compared with \$182 in 2010. Occupancy for the period was slightly down at 74.8% compared with 75.5%. Overall the revpar for the portfolio grew 2.2% to \$141.

The hotel markets are divided with CBD hotels performing well due to conferencing and business. Regional hotels, which primarily rely on leisure, are however weak. As stated earlier, occupancy in our three main markets remains strong, with constraint now evident in both Sydney and Brisbane.

## RETAIL AND COMMERCIAL

Thakral's Retail and Commercial Division achieved a profit of \$8.1 million, marginally lower than last year.

The retail environment is currently challenging. At our main centre, Oasis Shopping Centre, food sales are up while other retailers are experiencing difficult trading conditions. Our other centre, Wynyard Retail continues to enjoy low vacancies.

<sup>2</sup> Like for like properties – adjusted for disposed properties

Thakral House has higher vacancies due to the weaker market for secondary office and the requirement to maintain demolition clauses to facilitate a development opportunity.

Included in the results of this division are our Japanese apartments. Profits from this area increased by 8% to \$1.2 million with occupancy currently at 97%.

## **DEVELOPMENT**

As previously advised, the Thakral Board has determined to reduce our exposure to property development and, in future, development activities will be focussed on those development opportunities on land owned as part of the hotels and investment properties. We will continue to work through our existing development holdings.

The Development Division delivered a loss of \$1.8 million which included the write off of all holding costs.

In addition, given the continued weak market conditions in Queensland the Board has determined to write down the carrying value of development inventory by \$2 million. As previously stated, the Board has no current intention of realising these assets and has determined that shareholder value is best maintained through a patient realisation over the medium term.

The luxury apartment development, Halcyon on Lavender Bay, will complete construction in early March 2012. This project adjoins our highly successful Alchemy project and has achieved pre-sales of 8 out of the 13 available apartments. Marketing of the remaining apartments begins this week.

Halcyon will contribute a profit in the second part of the year which should result in the Development Division recording a profit for the year.

## **PROPERTY VALUES**

All of Thakral's Australian investment and hotel properties were independently valued at 31 December 2011 by Jones Lang LaSalle Hotels. These valuations resulted in a net increase of \$626,000.

## **GEARING & FINANCE**

Net borrowing to total tangible assets at 31 December 2011 stood at 43.8% which compares with 38.2% at 30 June 2011. The increase was due to the payment of the 2011 final distribution on 31 August 2011.

The Group's interest expense of \$17.4 million was a decrease of \$9.4 million in the period after a net repayment of debt of \$148 million from the sale of Novotel Melbourne on Collins\Australia on Collins.

The Group's Syndicated Finance Facility matures in September 2012. Draft terms and conditions have been negotiated, and credit approval received for a new 3 year, \$475 million finance facility which should be documented and finalised by the end of March.

### **NET TANGIBLE ASSET BACKING**

Adjusted net tangible asset backing per stapled security stood at 96 cents at 31 December 2011. This compared to 97 cents at 30 June 2011.

### **WYNYARD**

Following approaches, the Board decided to market Wynyard for sale. Despite significant interest, no expressions of interests were deemed acceptable to the Board. In the meantime, our development proposal has been referred to the State's Planning Assessment Commission.

### **SUMMARY & GUIDANCE**

In light of the current turmoil in global markets and the generally fragile nature of the domestic economy, the Board is reluctant to provide any specific profit guidance.

At this stage, the Board believes hotel profitability will, on a like property basis, be ahead of last year; while the return from our retail and commercial property will be slightly under prior year. The completion of Halcyon should mean that we return to profit from development. In addition, we expect a lower interest charge.

As stated in the market release on 25 August 2011, following the special distribution of 10 cents paid on 31 August 2011, the level of distribution for 2012 will be determined based on the results for the year ending 30 June 2012.

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Thakral is the only listed company whose primary focus is the ownership of hotels. Thakral has a portfolio of well located assets on the Eastern Seaboard that are well positioned to take advantage of improving market conditions.

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