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Thakral Holdings Limited
ACN 054 346 315 ABN 96 054 346 315

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27 September 2011

THAKRAL
a wider view on property

The Companies Announcements Officer
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

VIA E-LODGEMENT

Thakral Holdings Group ("*THG*")
2011 Annual Report

In accordance with ASX Listing Rules 3.17 and 4.7 we **enclose** copies of the following documents posted to securityholders on 27 September 2011:

1. THG 2011 Annual Report, including full audited consolidated financial statements of Thakral Holdings Limited and its controlled entities for the year ending 30 June 2011;
2. Thakral Holdings Trust (***THT***) full audited financial statements and report by Sovereign Funds Management Limited as Responsible Entity for the year ending 30 June 2011; and
3. Copy of Covering Letter to THG securityholders who requested a hardcopy of THG Annual Report.

The THG 2011 Annual Report and THT 2011 Financial Report for the year ended 30 June 2011 are also available on the THG website (www.thakral.com.au) under the "Investor Centre/Annual Reports" section.

Yours faithfully

Andrew Horne
General Counsel/Group Company Secretary

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Thakral Holdings Group 2011

THAKRAL IS THE LARGEST SPECIALIST
HOTEL PROPERTY GROUP ON THE ASX

THAKRAL HOLDINGS GROUP (ASX CODE THG)
COMPRISES THAKRAL HOLDINGS LIMITED ACN 054 346 315
AND THAKRAL HOLDINGS TRUST ARSN 092 850 827

SOFITEL BRISBANE

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WE ARE IN THE BUSINESS OF HOTEL OWNERSHIP FOR THE LONG HAUL.

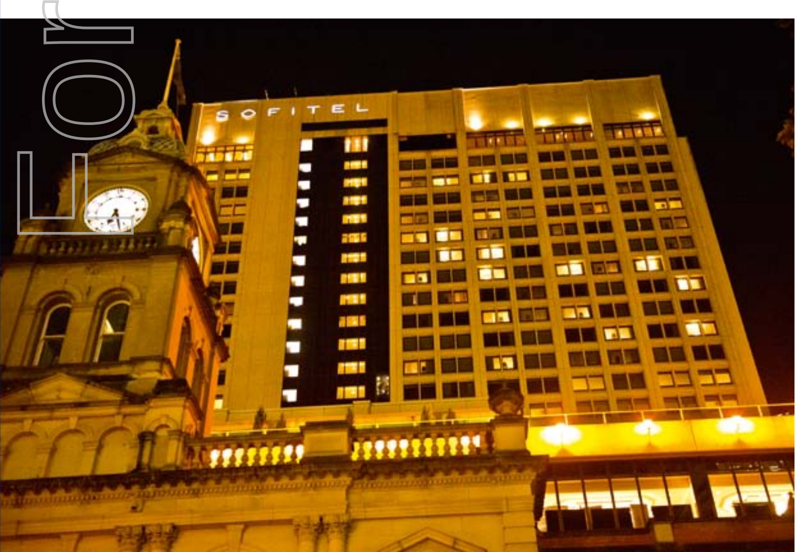
IN 2011 WE WERE REWARDED WITH THE HIGHEST RETURN FROM OUR HOTELS SINCE LISTING IN 1994 – EVEN EXCEEDING THE OLYMPIC YEAR.

AS A DIRECT RESULT OF THIS OUR UNDERLYING BUSINESS RETURNED TO PROFIT.

During the year the corporate and conference markets were strong, offsetting weak leisure markets.

East Coast capital city markets are some of the most constrained in the world.

This encouraging upward trend in demand is expected to continue while supply is dormant - there are very few new hotels either planned or under construction.



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SOFITEL GOLD COAST

LAST YEAR WE SAID WE WOULD:

- **RETURN TO UNDERLYING PROFITABILITY**
- **SELL AN ASSET**
- **REDUCE DEBT**
- **RETURN TO DISTRIBUTIONS**

IT IS PLEASING TO REPORT THAT THESE OBJECTIVES HAVE BEEN ACHIEVED.

Thakral is making the hard decisions to optimise shareholder value. As a result of the significant fall in the value of our properties in 2009, Thakral ceased distributions and re-negotiated our debt on less favourable terms. We did not raise additional equity. We have again re-negotiated our debt, this time on more favourable terms. We have sold Australia on Collins/Novotel on Collins, gearing at 30 June 2011 has reduced to 38% and a distribution of 10 cents was paid on 31 August 2011.

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HILTON ON THE PARK MELBOURNE

AS A DIRECT RESULT OUR SHAREHOLDERS HAVE BEEN REWARDED WITH ABOVE BENCHMARK RETURNS.

THAKRAL'S TOTAL RETURN TO SHAREHOLDERS EXCEEDED THAT OF THE S&P/ASX 200 PROP ACCUM INDEX.

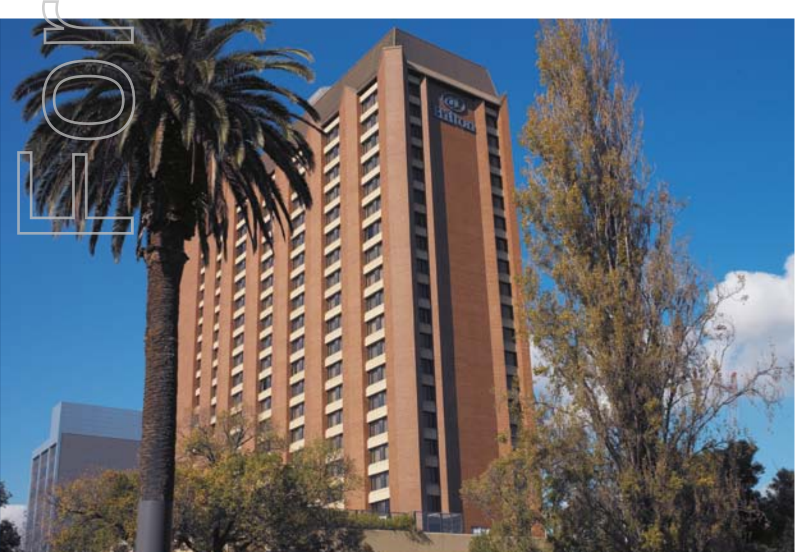
TOTAL SHAREHOLDER RETURNS AT 31 AUGUST 2011

	ONE YEAR	THREE YEARS	FIVE YEARS	TEN YEARS
Thakral	38.8	-6.9	-3.2	7.0
S&P/ASX 200 PROP ACCUM INDEX	-2.7	-12.2	-11.8	1.4
S&P/ASX 300 ACCUM INDEX	2.1	-1.4	0.8	7.2

Source UBS

Thakral shares currently trade at a significant discount to the underlying asset values. The Board is focussed on closing this gap.

Notwithstanding the current discount, Thakral's total return to shareholders has been above the index for listed AREIT market. In the last year, Thakral's return to shareholders was 38.8% as compared with -2.7% for the AREIT index. Over 10 years we exceeded the benchmark S&P/ASX 200 Prop Accum index by 400%.



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NOVOTEL BRIGHTON BEACH

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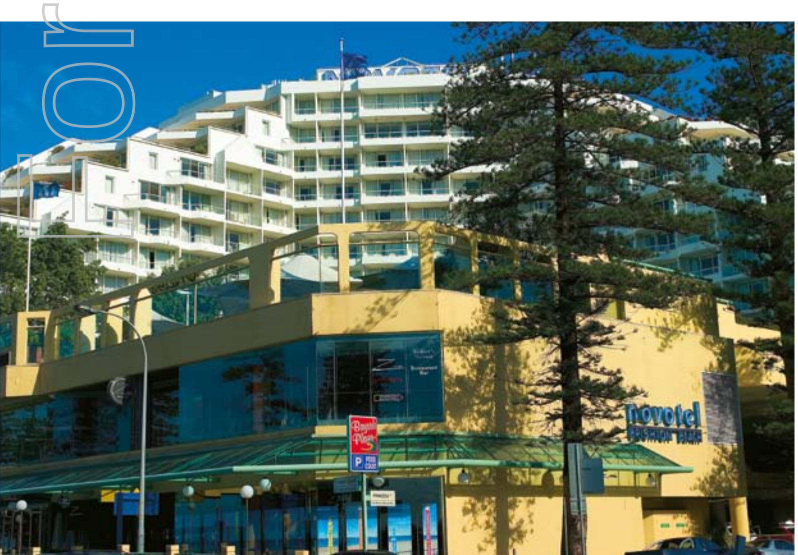
WE OWN OVER 2,000 FOUR AND FIVE STAR HOTEL ROOMS IN PRIME LOCATIONS ON THE EAST COAST OF AUSTRALIA. MANAGED BY INTERNATIONAL HOTEL BRANDS.

THE RETURN ON OUR CURRENT HOTELS, BASED ON JUNE 2011 VALUATIONS, IS AN ANNUALISED 13.8 % SINCE ACQUISITION.

Our hotels are managed by Accor and Hilton under the Sofitel, Novotel and Hilton brands. Combining the expertise and distribution capacity of two of the world's leading hotel management companies, with Thakral's own asset management skills, we believe we are taking advantage of the potential from our hotels.



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NOVOTEL WOLLONGONG

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WE HAVE THE EXPERTISE, AND ASSETS TO TAKE ADVANTAGE OF THE STRENGTHENING HOTEL MARKET.

THAKRAL CONTINUALLY REVIEW ALL ITS ASSETS TO ENSURE WE MAXIMISE THEIR RETURN. CURRENTLY WE ARE IN THE PROCESS OF FINALISING PLANS FOR REFURBISHMENTS AT NOVOTEL BRIGHTON BEACH AND SOFITEL BRISBANE.

An example of our asset management is the acquisition of Sofitel Brisbane.

Acquired in 2005 for $100 million, the Sofitel Brisbane has increased in value through strong asset management and prudent capital expenditure to a value at 30 June 2011 of $198 million.

Profits have risen from $7 million in 2004 to over $17 million in 2011.

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THE MENZIES SYDNEY

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WYNYARD REPRESENTS A KEY OPPORTUNITY FOR THE GROUP.

THE BOARD HAS DETERMINED TO MARKET ITS WYNYARD HOLDINGS FOR SALE. WE EXPECT STRONG INTEREST GIVEN ITS OBVIOUS APPEAL AS A DEVELOPMENT SITE OR ALTERNATIVELY THE FACT THAT LARGE SYDNEY CBD HOTELS WITH VACANT POSSESSION ARE RARE AND HIGHLY SOUGHT AFTER.

Wynyard was Thakral's first asset. Over the years it has provided the Group with consistent returns. Some years ago, we determined that there was an opportunity to redevelop the site for a higher and better return. These plans have resulted in Thakral lodging a Part 3A development application in January 2011. We expect that this will be determined in the near term.

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OASIS SHOPPING CENTRE BROADBEACH

IN ADDITION TO OUR HOTELS, WE PRIDE OURSELF ON BEING ABLE TO ADD VALUE.

WE MANAGE OUR SHOPPING CENTRES AND UNDERTAKE PROPERTY DEVELOPMENT.

OUR ASSETS INCLUDE THE OASIS SHOPPING CENTRE ON THE GOLD COAST AND A NUMBER OF LIFESTYLE PROPERTY DEVELOPMENTS PRINCIPALLY IN QUEENSLAND.

We are currently re-focusing our efforts to hotels, however the opportunity to add value through understanding retail commercial and development is a vital part of Thakral's DNA.

During the year, Thakral sold the Australia on Collins Shopping Centre and Novotel on Collins Hotel. Acquired in 1994 for a cost of $71 million, it was sold for $204 million. This represented an IRR or an annualised return since acquisition over 14%.

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HALCYON SYDNEY

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ALTHOUGH THE CURRENT MARKET FOR TOP END LEISURE/LIFESTYLE PROPERTY IS GENERALLY WEAK THE DEMAND FOR QUALITY WELL LOCATED RESIDENCES IS STILL STRONG.

WE HAVE DEVELOPMENT OPPORTUNITIES ON SITES ADJACENT TO THE NOVOTEL BRIGHTON BEACH SYDNEY AND THE HILTON ON THE PARK, MELBOURNE. BOTH THESE OPPORTUNITIES ARE EXPECTED TO DELIVER PROFIT TO THE GROUP OVER THE NEXT 3-5 YEARS.

Our Queensland land is amongst some of the best in the country and while short term prospects are relatively dormant, we have demonstrated that we are in business for the long term.

Although our current results are weak, we confidently expect this part of our business to return to profitability in 2012.

SIMPLIFIED INCOME STATEMENT

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Segment profit					
Hotel	66,404	58,386	58,203	63,101	60,509
Retail & Commercial	21,743	21,440	21,023	20,278	18,819
Property Development	(2,896)	3,690	2,233	23,558	10,665
	85,251	**83,516**	**81,459**	**106,937**	**89,993**
Administrative expense	(8,096)	(8,786)	(12,902)	(14,012)	(13,439)
Finance costs	(50,310)	(57,275)	(34,496)	(43,960)	(32,044)
Depreciation	(18,086)	(18,216)	(20,938)	(19,896)	(17,058)
Property valuations	45,270	85,936	(250,430)	70,816	206,178
Inventory impairment	(24,388)	–	(68,385)	(2,065)	–
Others	5,617	(2,081)	(14,505)	3,366	1,119
Reported Comprehensive Income	**35,258**	**83,094**	**(320,197)**	**101,186**	**234,749**
Adjustment[1]	11,017	2,900	(10,281)	5,259	5,389
Adjusted Comprehensive Income	**46,275**	**85,994**	**(330,478)**	**106,445**	**240,138**

(1) After inclusion of the fair value movements of operating leasehold land and assets held for sale.

SIMPLIFIED BALANCE SHEET

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Total properties at valuation	928,161	1,093,274	984,506	1,239,064	1,114,353
Other assets and liabilities	35,736	91,926	147,152	168,327	178,931
Net debt	(418,800)	(615,199)	(653,998)	(593,983)	(538,369)
Reported Net Assets	**545,097**	**570,001**	**477,660**	**813,408**	**754,915**
Adjustment[1]	23,317	12,300	18,176	28,457	23,198
Adjusted Net Assets	**568,414**	**582,301**	**495,836**	**841,865**	**778,113**
NTA[1]	*$0.97*	*$0.99*	*$0.84*	*$1.40*	*$1.29*
Gearing[1]	*38.2%*	*48.8%*	*54.1%*	*39.3%*	*38.5%*

(1) After inclusion of the fair value of operating leasehold land and revaluation surplus for assets held for sale.

HOTEL PORTFOLIO

	2011	2010	2009	2008	2007
Occupancy	72.9%	72.3%	72.4%	75.9%	81.3%
Average Rate	$183	$172	$180	$180	$164
RevPAR	$133	$124	$130	$137	$133

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Photography by Bob Armstrong

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THE ANNUAL REPORT OF THAKRAL HOLDINGS

FOR THE YEAR ENDED 30 JUNE

2011

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THAKRAL
a wider view on property

Annual Report 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

THAKRAL HOLDINGS GROUP (ASX CODE THG)
COMPRISES THAKRAL HOLDINGS LIMITED ACN 054 346 315
AND THAKRAL HOLDINGS TRUST ARSN 092 850 827

	Notes	2011 $'000	2010* $'000
Revenue	2	**260,787**	304,870
Expenses	3	**(183,632)**	(230,140)
		77,155	74,730
Net gain/(loss) on disposal of non-current assets		**1,421**	(104)
Finance costs	3/4	**(50,310)**	(57,275)
Syndicated bank debt refinancing costs		**–**	(4,333)
		28,266	13,018
Depreciation and amortisation	3/4	**(18,086)**	(18,216)
		10,180	(5,198)
Impairment of inventory and receivables related to development projects	3/10	**(24,388)**	–
Net gain/(loss) from fair value adjustments on investment properties	12	**(8,931)**	17,866
Unrealised foreign exchange gains/(losses)		**1,709**	(507)
Unrealised cash flow hedge movements		**563**	(1,512)
Income tax expense	8	**(125)**	(41)
Net profit/(loss)		**(20,992)**	10,608
Other comprehensive income			
Revaluation of property, plant and equipment	13	**54,201**	68,070
Cash flow hedge valuation movements		**2,117**	4,230
Foreign currency translation difference		**(68)**	186
Other comprehensive income for the year		**56,250**	72,486
Total comprehensive income for the year		**35,258**	83,094
Basic earnings/diluted earnings per stapled security based on net profit/(loss)	6	**(3.60) cents**	1.81 cents

	2011 $'000	2010* $'000
Net profit/(loss) attributable to:		
Stapled security holders of Thakral Holdings Group	**(21,037)**	10,567
Non-controlling interest	**45**	41
Net profit/(loss) for the year	**(20,992)**	10,608
Total comprehensive income attributable to:		
Stapled security holders of Thakral Holdings Group	**35,213**	83,053
Non-controlling interest	**45**	41
Total comprehensive income for the year	**35,258**	83,094

* Restated. Refer note 1(c).

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

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CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2011

	Notes	2011 $'000	2010* $'000
Current Assets			
Cash and cash equivalents		**9,641**	12,548
Trade and other receivables	9	**12,370**	12,403
Inventories	10	**47,018**	24,224
Other assets	11	**6,602**	6,428
Assets classified as held for sale	14	**214,753**	–
Total Current Assets		**290,384**	55,603
Non-Current Assets			
Trade and other receivables	9	**–**	5,580
Inventories	10	**80,375**	105,820
Investment properties (Retail and Commercial properties)	12	**152,185**	341,806
Property, plant and equipment (Hotel properties)	13	**561,223**	751,468
Other assets	11	**–**	20
Total Non-Current Assets		**793,783**	1,204,694
Total Assets		**1,084,167**	1,260,297
Current Liabilities			
Trade and other payables	16	**39,852**	43,882
Interest bearing liabilities	17	**78,286**	13,567
Employee benefits	24	**6,131**	6,174
Derivative financial instruments	15	**2**	6
Distribution provisions	18	**58,536**	–
Income tax provisions	19	**168**	55
Total Current Liabilities		**182,975**	63,684
Non-Current Liabilities			
Other payables	16	**–**	3,684
Interest bearing liabilities	17	**350,155**	614,180
Employee benefits	24	**1,815**	1,947
Derivative financial instruments	15	**4,125**	6,801
Total Non-Current Liabilities		**356,095**	626,612
Total Liabilities		**539,070**	690,296
Net Assets		**545,097**	570,001
Equity			
Issued capital	22	**306,938**	306,790
Reserves	23	**285,937**	294,012
Accumulated losses	21	**(48,365)**	(34,696)
Total equity attributable to stapled security holders of Thakral Holdings Group		**544,510**	566,106
Non-controlling interest		**587**	3,895
Total Equity		**545,097**	570,001

* Restated. Refer note 1(c).

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Issued capital $'000	Asset revaluation reserve $'000	Hedging reserve cash flow hedges $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2010*	**306,790**	**299,099**	**(5,294)**	**207**	**(34,696)**	**3,895**	**570,001**
Net loss for the year attributed to:							
Non-controlling interest	**–**	**–**	**–**	**–**	**–**	**45**	**45**
Members of Thakral Holdings Group	**–**	**–**	**–**	**–**	**(21,037)**	**–**	**(21,037)**
Total recognised income and expenses for the year	**–**	**–**	**–**	**–**	**(21,037)**	**45**	**(20,992)**
Other comprehensive income:							
Revaluation of hotel properties	**–**	**54,201**	**–**	**–**	**–**	**–**	**54,201**
Cash flow hedges	**–**	**–**	**2,117**	**–**	**–**	**–**	**2,117**
Foreign currency translation reserve	**–**	**–**	**–**	**(68)**	**–**	**–**	**(68)**
Total other comprehensive income	**–**	**54,201**	**2,117**	**(68)**	**–**	**–**	**56,250**
Transfer from asset revaluation reserve to accumulated losses	**–**	**(64,325)**	**–**	**–**	**64,325**	**–**	**–**
Vested security issued	**148**	**–**	**–**	**–**	**–**	**–**	**148**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**(64)**	**–**	**(64)**
Distribution	**–**	**–**	**–**	**–**	**(58,536)**	**–**	**(58,536)**
Non-controlling interest	**–**	**–**	**–**	**–**	**1,643**	**(3,353)**	**(1,710)**
Balance at 30 June 2011	**306,938**	**288,975**	**(3,177)**	**139**	**(48,365)**	**587**	**545,097**
Balance at 1 July 2009*	306,790	231,029	(9,524)	21	(45,355)	3,474	486,435
Net profit for the year attributed to:							
Non-controlling interest	–	–	–	–	–	41	41
Members of Thakral Holdings Group	–	–	–	–	10,567	–	10,567
Total recognised income and expenses for the year	–	–	–	–	10,567	41	10,608
Other comprehensive income:							
Revaluation of hotel properties	–	68,070	–	–	–	–	68,070
Cash flow hedges	–	–	4,230	–	–	–	4,230
Foreign currency translation reserve	–	–	–	186	–	–	186
Total other comprehensive income	–	68,070	4,230	186	–	–	72,486
Recognition of share-based payments	–	–	–	–	92	–	92
Non-controlling interest	–	–	–	–	–	380	380
Balance at 30 June 2010*	306,790	299,099	(5,294)	207	(34,696)	3,895	570,001

* Restated. Refer note 1(c).

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

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CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 $'000	2010 $'000
Cash Flows from Operating Activities			
Receipts in the course of operations		**295,038**	337,247
Payments in the course of operations		**(234,293)**	(216,612)
Interest received		**561**	845
Net cash inflow from operating activities	30	**61,306**	121,480
Cash Flows from Investing Activities			
Additions to investment properties		**(4,499)**	(5,494)
Additions to property, plant and equipment		**(8,611)**	(24,590)
Net proceeds from sale of fixed assets		**201,500**	–
Acquisition of non-controlling interest		**(1,524)**	–
Net cash inflow/(outflow) from investing activities		**186,866**	(30,084)
Cash Flows from Financing Activities			
Proceeds from borrowings		**14,143**	–
Repayment of borrowings		**(206,885)**	(43,991)
Syndicated bank debt refinancing costs		**–**	(3,410)
Interest paid		**(58,337)**	(46,668)
Net cash outflow from financing activities		**(251,079)**	(94,069)
Net decrease in cash and cash equivalents		**(2,907)**	(2,673)
Cash and cash equivalents at 1 July		**12,548**	15,221
Cash and cash equivalents at 30 June		**9,641**	12,548

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THAKRAL HOLDINGS GROUP (THE GROUP)

In 1994, the Group was created by amending the Constitutions of Thakral Holdings Trust ("THT" or the "Trust") and Thakral Holdings Limited ("THL"). The key features of these arrangements are as follows:

- the ordinary voting shares of THL have been stapled to the non-voting units in THT;
- a wholly owned subsidiary of THL owns 100% of the voting units in THT;
- the resulting Thakral Holdings Group stapled securities are quoted together on the Australian Security Exchange under the code THG;
- for as long as the two entities remain jointly quoted, the number of non-voting units in THT and the number of shares in THL shall be equal and the unit holders and shareholders are identical; and
- the Constitutions specify that THL and the Responsible Entity of THT, Sovereign Funds Management Limited, must at all times act in the best interest of Thakral Holdings Group.

The stapling arrangement will cease upon the earlier of either:

- the winding up of THT or THL; or
- the termination of the stapling arrangements.

THL is a company domiciled in Australia. The financial report includes financial reports for the consolidated entity ("the Group") consisting of Thakral Holdings Limited ("the Parent") and its controlled entities which include the stapled Thakral Holdings Trust and its controlled entities on the basis that the Company owns 100% of the voting units in the Trust and the non-voting unit holders of the Trust are identical to the shareholders of the Company. The financial report was authorised for issue by the directors on 25 August 2011.

The significant accounting policies adopted in the preparation of this financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The Corporations Amendment (Corporate Reporting Reform) Act 2010 amended the *Corporations Act 2001* to require the presentation of consolidated financial statements only. Summarised financial information of the Parent Entity is disclosed in Note 32.

(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 ('AASB') and the *Corporations Act 2001*. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(B) BASIS OF PREPARATION

This financial report has been prepared under the historical cost convention except the following assets and liabilities are stated at fair value: derivative instruments, investment properties and certain classes of property, plant and equipment.

The financial report is presented in Australian dollars and is rounded to the nearest thousand dollars, unless otherwise stated.

(C) CHANGES IN ACCOUNTING POLICIES

The Group has applied the amended Accounting Standard AASB 117 Leases with effect from 1 July 2010. The default classification of the leasehold land was an operating lease before the release of the amendments. The new guidance requires entities with existing leases of land to reassess the classification of land as finance or operating lease. At the adoption of the new accounting policy at 1 July 2010, the Group has two leases of land.

An upfront amount was paid to lease the land on which Sofitel Brisbane hotel is built. The lease had, as of 1 July 2010, a remaining term of 46.5 years with no future minimum lease payments required. At the adoption of the new policy at 1 July 2010, the Group reclassified the lease as a finance lease. At each reporting date, the Group will restate the land value at its fair value on the balance sheet and recognise the difference between the fair value of the land and the carrying value of the land after amortisation in the asset revaluation reserve.

The Group has applied the amendment retrospectively since the inception of the lease and prospectively from 1 July 2010. The following table summarises the transition adjustments made to the balance sheet upon the implementation of the new accounting policy:

	Leasehold land $'000	Asset revaluation reserve $'000	Accumulated losses $'000
Balance as reported at 1 July 2009	13,725	221,865	(44,966)
Effect of reclassification on 1 July 2009	8,775	9,164	(389)
Restated balance on 1 July 2009	22,500	231,029	(45,355)
Balance as reported at 30 June 2010	13,436	275,170	(34,131)
Effect of reclassification on 30 June 2010	23,364	23,929	(565)
Restated balance on 30 June 2010	36,800	299,099	(34,696)

The effect on the statement of comprehensive income was as follows:

	2011 $'000	2010 $'000
Depreciation	**(511)**	(176)
Effect on net profit/(loss)	**(511)**	(176)
Movement in fair value	**(1,400)**	14,765
Effect on total comprehensive income	**(1,911)**	14,589

The fair value of the leasehold land for The Menzies Hotel, Sydney is not recognised on balance sheet because it is classified as an operating lease given the contingent nature of its lease payments.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) PRINCIPLES OF CONSOLIDATION

(i) Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where control of entities commenced or ceased during the year, the profit or loss is included only from the date control commenced or up to the date control ceased.

(ii) The Tokumei Kumiai (TK)
During 2008, the Group acquired a 97% economic interest in GK Osaka Property Holdings which is incorporated in Japan and was established to invest in the real estate market of Japan.

The consolidated financial information of the Group incorporates the beneficial interest in 100% of the assets and liabilities arising from the contractual relationships with GK Osaka Property Holdings which is the TK Operator. This contractual relationship is known under Japanese commercial law as TK. Under the contractual relationships the Group is entitled to 97% of the profits and losses of the business of the TK. Under Japanese commercial law a TK is not a legal entity but a contractual relationship or contractual relationships between one or more investors and the TK Operator.

The 3% of TK profit to which the TK Operator is entitled is shown as non-controlling interest in the statement of comprehensive income. The 3% of TK retained earnings to which the TK Operator is entitled is shown as non-controlling interest on the Balance Sheet.

(iii) Transactions eliminated on consolidation
Any balances, unrealised gains and losses or income and expenses resulting from transactions with or between controlled entities are eliminated in preparing the consolidated financial reports.

(E) SEGMENT REPORTING

An operating segment is a component of the Group 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 Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO, who is the Group's chief operating decision maker, 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 CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses (primarily the Group's head office), and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire or make additions to property, plant and equipment and investment properties.

(F) REVENUE AND PROFIT RECOGNITION

Hotel Division
Revenue comprises revenue earned (net of refunds, discounts and allowances) from hotel accommodation, catering, conferencing, car parking and gaming. Revenue is recognised when the service is provided and the related cost can be measured reliably.

Retail and Commercial Division
Rental income from investment properties is recognised on a straight line basis over the term of the lease. Lease incentives are recognised as a reduction of rental income on a straight line basis over the term of the lease.

Property Development Division
Revenue from the sale of residential development properties is recognised when the significant risks and rewards of ownership have been transferred to the purchaser. This transfer is considered to occur on practical completion and once notice of unconditional settlement is given to the purchaser. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, if the costs incurred or to be incurred cannot be measured reliably, or if there is continuing management involvement to the degree usually associated with ownership.

Interest Revenue
Interest revenue is recognised as it accrues using the effective yield basis.

Assets classified as held for sale
Upon initial classification as held for sale, assets are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the statement of comprehensive income, even when there is a revaluation. The net profit or loss from the sale of assets will be recognised when the significant risks and rewards of ownership have been transferred to the purchaser.

(G) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

(H) RECEIVABLES

Trade debtors and other receivables are carried at amortised cost less impairment losses. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is raised for any doubtful accounts.

(I) INVENTORIES

Inventories comprising land and building developments are carried at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and borrowing costs incurred during development. When development is completed, borrowing costs are expensed as incurred.

Food, beverages and consumables are carried at the lower of cost and net realisable value.

(J) INVESTMENT PROPERTIES

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) which are held for long term rental yields and capital appreciation. Investment properties are initially measured at cost, including acquisition costs. Subsequent to initial recognition, investment properties are stated at fair value at each reporting date with any gain or loss arising from a change in fair value recognised in the statements of comprehensive income for the year. The Group's hotel properties are owner occupied and therefore are classified as Property Plant and Equipment (Refer Note 1(k)).

Fair value
Fair value of investment properties is reviewed at each reporting date to ensure that the value reflects market conditions at that reporting date. Fair value is based on market value, being the estimated amount for which each property could be exchanged at the date of valuation between a willing buyer and willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion. Investment properties are independently valued each year to determine fair value. If an investment property is sold subsequent to the balance date, these independent valuations together with any further market conditions and sales of similar properties are considered by the directors in determining fair value at reporting date.

Disposal of re-valued assets
The gain or loss on disposal of all re-valued investment properties and property, plant and equipment (refer Note 1(k)) is calculated as the difference between the carrying amount of the asset at the time of disposal and proceeds received, and is included in the statement of comprehensive income in the year of disposal.

(K) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment except for freehold hotel land, hotel land subject to a finance lease and buildings are stated at cost or deemed cost less accumulated depreciation. Hotel land and buildings are managed by independent parties but are considered owner occupied, and therefore are recognised as property, plant and equipment. Freehold hotel land, hotel land subject to a finance lease and buildings are stated at fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of hotel land and buildings
The basis of fair value is the same as outlined in accounting policy Note 1(j) Investment Properties. Hotel land and buildings are independently valued each year to determine fair value. The fair value of freehold hotel land, hotel land subject to a finance lease and buildings is reviewed at each reporting date to ensure that there is no material difference from the carrying value. Any fair value increase above cost attributed to land subject to an operating lease cannot be recognised.

Revaluation increments, on an individual hotel basis, are credited directly to the asset revaluation reserve in equity and are recognised under other comprehensive income in the statement of comprehensive income. To the extent that the increment reverses a decrease previously recognised in profit and loss, the increase is first recognised in profit and loss.

Revaluation decrements are taken to the asset revaluation reserve to the extent that such losses are covered by amounts previously credited to the reserve for that specific hotel and are still available in that reserve. Any excess decrement amounts are expensed to the statement of comprehensive income.

Apportionment of hotel land and buildings
The land valuation apportionment is determined by applying an approximate market rental to the land and capitalising this at an appropriate yield, having regard to both the existing use and long term potential of the land. Building apportionment represents the residual amount after the land, and plant and equipment amounts are deducted from the valuations.

Hotel buildings are depreciated over their useful life at the re-valued amount. Hotel land subject to a finance lease is amortised at the re-valued amount over their lease term. Hotel freehold land is not depreciated. Any accumulated depreciation at the date of revaluation is eliminated against the carrying amount of the asset and the net amount is restated to the re-valued amount of the asset. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(L) DEPRECIATION AND AMORTISATION

Items of property, plant and equipment, but not investment property have limited useful lives and are depreciated or amortised using the straight line method over their estimated useful lives, taking into account estimated residual values. Hotel land subject to finance lease is amortised at the re-valued amount using the straight line method over their remaining lease terms. Assets are depreciated or amortised from the date of acquisition or, from the time an asset is completed and held ready for use. Where a hotel is re-valued the hotel buildings are depreciated at the re-valued amount. The depreciation/amortisation rates based on useful lives for each class of asset are as follows:

Plant & equipment	5% – 33.3%
Buildings	2%

(M) IMPAIRMENT OF NON FINANCIAL ASSETS

At each reporting date, the Group assesses whether there is any indication that an asset, other than investment properties and inventories, may be impaired. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount. Where the carrying amount of an asset exceeds its estimated recoverable amount the asset is considered impaired and is written down to its estimated recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(N) PAYABLES

Trade and other payables are stated at their amortised cost and represent liabilities for goods and services provided prior to the end of the financial year and which are unpaid. The amounts are usually settled on suppliers' normal terms of credit.

(O) INTEREST BEARING LIABILITIES AND FINANCE COSTS

Interest bearing liabilities are initially recognised at fair value net of transaction costs incurred unless the transaction costs relate to a substantial modification of facility terms in which case the transaction costs are recognised as an expense when incurred. Subsequent to initial recognition, interest bearing liabilities are stated at amortised cost with any difference between proceeds (net of transaction costs) and the redemption amount being recognised in the statement of comprehensive income over the period of the interest bearing liabilities using the effective interest method. Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Finance costs incurred for construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to reach the stage of their intended use or sale. Other finance costs are expensed. In the event that a development is suspended for an extended period of time, the capitalisation of borrowing costs is also suspended.

The capitalisation rate used to determine the amount of finance costs to capitalise is the weighted average interest rate applicable to the entity's outstanding interest bearing liabilities during the year, in this case 7.91% (2010: 8.21%).

(P) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

A provision for distributions payable is recognised in the reporting period in which the distributions are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(Q) LEASE INCENTIVES

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including upfront cash payments, rent free periods, or a contribution to certain lessee costs such as fit-out costs or relocation costs. As these incentives are effectively repaid out of future lease payments, they are recognised as an asset on the balance sheet as a component of the carrying amount of investment properties and amortised over the lease period.

(R) EMPLOYEE AND DIRECTOR BENEFITS

(i) Short term benefits
Current liabilities for employee benefits for wages, salaries, and annual leave due within one year represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs such as workers compensation insurance, payroll tax and superannuation.

The cost of sick leave is expensed when incurred. Any non-accumulating non-monetary benefits are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

BONUS PLAN

A liability is only recognised for any bonus when the benefit calculations are formally documented and determinable, and details of the bonus plan are communicated before year end.

(ii) Long term benefits (share-based payments)
Rights over shares (equity settled transactions) have been offered as incentives to senior executives of the Group. The cost of equity settled transactions with executives is measured by reference to fair value at the date on which the share rights are granted and recognised on a straight line basis over the period in which the vesting conditions are fulfilled as an employee expense with a corresponding increase in equity, ending on the date on which the relevant executives become fully entitled to the award ('vesting date'). Fair value is determined by using either a Binomial or Monte-Carlo option pricing model. The amount recognised as an expense is adjusted to reflect the number of share options that are anticipated to vest, except for those that fail to vest due to market performance conditions not being met. This is because the effect of market performance condition is included in the determination of fair value at grant date.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Superannuation plan
The Company and other controlled entities contribute superannuation to several accumulation funds. Contributions are recognised as an expense as they are incurred. Further information is set out in Note 24 Employee Benefits.

(iv) Long service leave
The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attached to Commonwealth Government bonds at reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as a long service leave expense.

(v) Directors' retirement plan
The provision for directors' retirement relates to the Group's liability under the Thakral Holdings Limited Non Executive Directors' Retirement Plan. Further information is set out in Note 24 Employee Benefits.

(S) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments entered into by the Group include interest rate swaps. These interest rate swaps are used for the risk management of existing financial assets and liabilities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated in hedging relationships have been and will continue to be effective in offsetting changes in cash flows of hedged items.

The Group enters into the following hedge arrangements:

Hedge type & risk	Accounting treatment
Cash flow hedge	
Exposure to variability in cash flows associated with a highly probable forecasted transaction or a committed transaction.	The effective portion of changes in the fair value of derivatives are recognised in equity in the hedging reserve. The gain or loss relating to any ineffective portion is recognised in the statement of comprehensive income immediately. Amounts accumulated in equity are taken to the statement of comprehensive income in the periods when the hedged item is recognised in the statement of comprehensive income.
Hedge of net investment	
Exposure to changes in the net assets of foreign operations from foreign exchange movements.	The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the statement of comprehensive income. On disposal of a foreign operation the cumulative value of any gains or losses recognised in equity are recognised in the statement of comprehensive income.

Hedge accounting is discontinued when the hedging instrument expires, no longer qualifies for hedge accounting or is terminated. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of comprehensive income for the year.

(T) FOREIGN CURRENCY

The functional currency and presentation currency of the Group is Australian dollars (A$).

Translation of foreign currency transactions
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to A$ at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency 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 foreign exchange rates ruling at the dates the fair value was determined.

Translation of the financial results of foreign operations
As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into A$ (presentation currency of the Group) at the rate of exchange ruling at the balance sheet date and the income statements are translated at the average exchange rates for the reporting period or at the exchange rates ruling at the date of the transaction. Exchange differences arising on the translation of foreign subsidiaries are taken to the foreign currency translation reserve. On disposal of a subsidiary with a functional currency other than A$, the deferred cumulative amount recognised in the foreign currency translation reserve relating to that particular subsidiary is recognised in the statement of comprehensive income.

(U) TAXATION

Income tax for the year is the tax payable on the current year's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial reports, and to unused tax losses.

Deferred tax is calculated on all temporary differences at balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Under current income tax legislation, Thakral Holdings Trust is not liable for income tax, provided the taxable income is fully distributed each year.

(V) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item 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 ATO is included as a current asset or liability on the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the ATO, is classified as an operating cash flow.

(W) EARNINGS PER SECURITY

(i) Basic earnings per stapled security

Basic earnings per stapled security is determined by dividing the net profit attributable to the Group's stapled security holders, by the weighted average number of stapled securities outstanding during the year, adjusted for bonus elements in stapled securities, if any, issued during the year.

(ii) Diluted earnings per stapled security

The diluted earnings per stapled security is determined by dividing the net profit attributable to the Group's stapled security holders for the reporting period by the weighted average number of ordinary securities of the Group, adjusted for the difference between the average market price of the securities during the year and the amount to be paid for the partly paid securities. Furthermore, it is also adjusted for the effect of performance rights granted to employees that are dilutive.

(X) ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of a financial report requires the Group to make estimates and assumptions that in certain circumstances affect the carrying amounts of assets and liabilities. In preparing this financial report the Group has utilised available information, including the Group's history, industry standards and the current economic environment, among other factors, in forming its estimates and judgements of certain amounts included in the financial report, giving due consideration to materiality. It is possible that the ultimate outcome as anticipated by the Group in formulating its estimates inherent in this financial report might not materialise. In the valuation of investment properties, development projects and hotel land and buildings the assessments can have a significant effect on the income and financial position of the Group.

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value of hotel land and buildings reflects their future income potential and forecast capital expenditure. Refer Notes 12 and 13.

The Group is required to carry inventory at the lower of cost or net realisable value. The net realisable value ("NRV") of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and cost to sell. Estimates of NRV are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise and the estimate of costs to complete. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions require the use of management judgement and can vary based on the policy of the Board and are reviewed at each reporting period.

(Y) CHANGES IN ACCOUNTING STANDARDS

The Group has adopted the following amendments as of 1 July 2010.

- The pronouncement on AASB 107 "Cash Flow Statements" clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities. This aligns the classification of cash flows from investing activities in cash flow statement and the presentation of recognised assets on balance sheet.
- The amended Accounting Standard AASB 117 Leases requires entities with existing leases of land and buildings to reassess the classification of land as a finance or operating lease. Finance lease movements are recognised on balance sheet and through the statement of comprehensive income. This amendment is applied retrospectively based on the information existing at the inception of the lease (refer Note 1(c)).

(Z) NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards, interpretations and amendments to existing standards have been published that are applicable to the Group but are not mandatory for 30 June 2011 reporting periods.

Standard	Summary	Issue Date	Applicable Date
AASB 9 Financial Instruments	AASB 9 includes requirements for classification and measurement of financial assets resulting from the first part of phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets.	Dec 2009	30 June 2013
AASB 127 Consolidated and Separate Financial Statements	The amended AASB 127 changes whether an entity is consolidated by revising the definition of control.	May 2011	30 June 2013
IFRS 10 Consolidated Financial Statements	IFRS 10 introduces a new approach to determine which investees should be consolidated. The standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investees.	May 2011	30 June 2013
IFRS 11 Joint Arrangements	If the parties have rights to and obligations for underlying assets and liabilities, the joint arrangement is considered a joint operation and partial consolidation is applied. Otherwise the joint arrangement is considered a joint venture and they must use the equity method to account for their interest.	May 2011	30 June 2013
IFRS 12 Disclosures of Interests in Other Equities	IFRS 12 contains the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associated and/or unconsolidated structure entities.	May 2011	30 June 2013

The potential impact of these standards is yet to be fully determined. However, it is not expected that the new standards will significantly affect the Group's financial position. The Group plans to apply the standards in the reporting period when it becomes effective for the Group.

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2. REVENUE

	2011 $'000	2010 $'000
Hotel	**204,531**	188,620
Retail and Commercial	**40,505**	39,267
Property Development	**15,510**	76,507
Interest	**241**	476
	260,787	304,870

3. EXPENSES

	Operating Costs		Depreciation		Finance Costs		Inventory and Receivable Impairment		Total Expenses	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Hotel	**137,923**	129,901	**17,542**	17,689	**–**	–	**–**	–	**155,465**	147,590
Retail and Commercial	**18,434**	17,801	**–**	–	**–**	–	**–**	–	**18,434**	17,801
Property Development	**18,617**	73,273	**269**	277	**514**	4,728	**24,388**	–	**43,788**	78,278
Corporate and Administration	**8,658**	9,165	**275**	250	**49,796**	52,547	**–**	–	**58,729**	61,962
	183,632	230,140	**18,086**	18,216	**50,310**	57,275	**24,388**	–	**276,416**	305,631

4. PROFIT/(LOSS) BEFORE INCOME TAX

	2011 $'000	2010 $'000
Profit/(loss) before income tax includes the following:		
Inventories recognised as property development cost of sales	**9,307**	67,933
Impairment of inventory and receivables related to development projects	**24,388**	–
Finance costs		
Interest and finance charges paid or payable to other parties	**52,282**	59,700
Less: interest revenue	**(320)**	(369)
Less: amounts capitalised	**(1,652)**	(2,056)
Finance costs expensed	**50,310**	57,275
Depreciation of hotel buildings	**10,119**	10,040
Depreciation of plant & equipment	**7,167**	7,711
Amortisation of leasehold land	**800**	465
Total depreciation and amortisation of property, plant and equipment	**18,086**	18,216
Rental expense relating to operating leases	**4,926**	4,011
Employee benefits excluding superannuation	**70,992**	68,994
Superannuation	**6,088**	5,916
Share based payment expense	**84**	101

5. AUDITOR'S REMUNERATION

	2011 $	2010 $
Audit services		
KPMG Australia:		
Auditing and review of financial reports		
– Current year	**345,000**	469,600
– Prior year	**–**	90,000
Other audit services	**169,090**	80,920
Overseas KPMG Firms:		
Auditing and review of financial reports	**30,992**	51,000
Non-audit related services		
Tax compliance and advice	**299,911**	727,338
	844,993	1,418,858

6. EARNINGS PER STAPLED SECURITY

	2011	2010
Basic earnings per stapled security (cents)	**(3.60)**	1.81
Diluted earnings per stapled security (cents)	**(3.60)**	1.81
Total comprehensive income per staple security (cents)	**6.02**	14.21
Earnings used in the calculation of basic and diluted earnings per stapled security ($'000)	**(21,037)**	10,567
Weighted average number of basic earnings per stapled security:		
Ordinary stapled securities	**584,751,137**	584,645,014
Weighted average number of diluted earnings per stapled security:		
Ordinary stapled securities	**584,751,137**	584,645,014
Effect of performance rights	**402,500**	720,000
Effect of partly paid securities	**(511,509)**	–[1]
	584,642,128	585,365,014

(1) The effect of 40 million partly paid securities is excluded from the calculation of the diluted EPS as their inclusion would be anti-dilutive.

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7. SEGMENT REPORTING

The Group's segments are:

- Hotel — Hotel and resort accommodation, food and beverage sales, and gaming.
- Retail and Commercial — Rental of retail outlets, office and residential accommodation, and car parking.
- Property Development — Residential and commercial property development and services.

Segment result, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Hotel		Retail & Commercial		Property Development		Elimination		Consolidated	
For the year ended 30 June 2011	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**
Revenue outside the Group	**204,531**	188,620	**40,535**	39,286	**15,721**	76,964	**–**	–	**260,787**	304,870
Inter-segment revenue	**73**	74	**587**	830	**–**	–	**(660)**	(904)	**–**	–
Segment Revenue	**204,604**	188,694	**41,122**	40,116	**15,721**	76,964	**(660)**	(904)	**260,787**	304,870
Divisional profit	**66,404**	58,386	**21,743**	21,440	**(2,896)**	3,690	**–**	–	**85,251**	83,516
Impairment of inventory and receivables	**–**	–	**–**	–	**(24,388)**	–	**–**	–	**(24,388)**	–
Depreciation and amortisation	**(17,523)**	(17,689)	**–**	–	**(231)**	(277)	**–**	–	**(17,754)**	(17,966)
Interest in cost of goods sold	**–**	–	**–**	–	**(514)**	(4,728)	**–**	–	**(514)**	(4,728)
Allocation corporate expense	**(694)**	(636)	**192**	128	**(552)**	(699)	**–**	–	**(1,054)**	(1,207)
Net gain/(loss) on sale of non current assets	**7,157**	(104)	**(5,736)**	–	**–**	–	**–**	–	**1,421**	(104)
Net gain/(loss) from fair value adjustment on investment properties	**–**	–	**(8,931)**	17,866	**–**	–	**–**	–	**(8,931)**	17,866
Segment result	**55,344**	39,957	**7,268**	39,434	**(28,581)**	(2,014)	**–**	–	**34,031**	77,377
Unallocated corporate expense									**(7,042)**	(7,579)
Unallocated finance costs									**(49,796)**	(52,547)
Syndicated bank debt refinancing costs									**–**	(4,333)
Unrealised foreign exchange loss									**1,709**	(507)
Unrealised cash flow hedge movements									**563**	(1,512)
Unallocated depreciation expense									**(332)**	(250)
Income tax									**(125)**	(41)
Net profit/(loss)									**(20,992)**	10,608
Revaluation of property, plant and equipment	**54,201**	68,070	**–**	–	**–**	–	**–**	–	**54,201**	68,070
Unallocated cashflow hedge valuation movements									**2,117**	4,230
Unallocated foreign currency translation difference									**(68)**	186
Total Comprehensive income									**35,258**	83,094
Segment assets	**677,913**	765,672	**273,101**	349,184	**129,046**	139,125	**–**	–	**1,080,060**	1,253,981
Unallocated assets									**4,107**	6,316
Total assets									**1,084,167**	1,260,297
Segment liabilities	**32,648**	38,000	**58,836**	69,632	**14,645**	10,943	**–**	–	**106,129**	118,575
Unallocated liabilities									**432,941**	571,721
Total liabilities									**539,070**	690,296
Acquisitions and refurbishments of non current assets	**6,819**	25,309	**4,853**	5,613	**194**	199	**–**	–	**11,866**	31,121
Unallocated acquisitions of non current assets									**56**	179
Total acquisitions of non current assets									**11,922**	31,300

	Australia		Asia		Total	
Geographical Segment	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**
Segment revenue	**257,606**	301,949	**3,181**	2,921	**260,787**	304,870
Segment assets	**1,045,130**	1,217,325	**39,037**	42,972	**1,084,167**	1,260,297
Acquisitions and refurbishment of non current assets	**11,922**	31,282	**–**	18	**11,922**	31,300

8. INCOME TAX EXPENSE

	2011 $'000	2010 $'000
Current tax expense		
Current year domestic	**–**	–
Current year foreign	**125**	41
Deferred tax expense		
Current year	**–**	–
Total income tax expense in statement of comprehensive income	**125**	41
Numerical reconciliation between tax expense and pre-tax profit		
Profit/(loss) before tax	**(20,867)**	10,649
Prima facie income tax calculated at 30%	**(6,260)**	3,195
Increase/(decrease) in income tax due to:		
Revaluations and impairments not taxable until realised	**9,996**	(5,360)
Thakral Holdings Trust profits not taxable	**(8,743)**	(138)
Unrealised foreign exchange (gain)/loss not taxable	**(513)**	152
Unrealised cash flow hedge movements	**(169)**	454
Other temporary differences	**5,814**	1,738
Income tax expense on pre-tax net profit	**125**	41

The Group has not recognised a potential deferred tax asset of $20.5 million (2010: $28.7 million) in relation to unrecognised tax losses because the recovery is not probable.

The potential deferred tax asset will only be obtained if:

(a) in respect of companies within the Group, the relevant Company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

(b) in respect of trusts within the Group, the relevant trust derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised. As a trust may not transfer tax losses to another trust or a Company within the Group, tax may be payable within the Group even though tax losses are still available to be carried forward within the Group;

(c) the Trusts comply with the requirements of the trust loss trafficking anti-avoidance measures, and in particular the 50% stake test. Broadly, the 50% stake test requires greater than 50% continuity in the ultimate beneficial owners of the Trusts;

(d) no changes in tax legislation adversely affect the relevant Company and/or the Group in realising the benefit.

Under current tax legislation, Thakral Holdings Trust is not liable for income tax, provided the trust distributes all of its taxable income each year. The percentages described as being tax deferred, taxable and CGT concessional in the summary of dividends/distributions and the quantum of carry forward losses reflect current enacted law. There are currently inherent unrealised capital gains in respect of the properties held by Thakral Holdings Trust and its wholly owned subsidiary trusts. If any of these properties are sold in future years, the percentage of the Thakral Holdings Trust distribution that is taxable to investors for that year is expected to increase commensurate with the capital gain realised. Investors who are complying superannuation funds and Australian resident individuals may be entitled to a capital gains tax discount in relation to any realised capital gains included in trust distributions made in the relevant year(s).

9. TRADE AND OTHER RECEIVABLES

	2011 $'000	2010 $'000
Current		
Trade receivables	**8,123**	8,545
Security deposits	**30**	1,719
Other receivables	**4,217**	2,139
	12,370	12,403
Non-current		
Trade receivables	**–**	5,580
	–	5,580

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 31.

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10. INVENTORIES

	2011 $'000	2010 $'000
Current		
Land and buildings held for development	**45,782**	22,989
Food, beverage and consumables	**1,236**	1,235
	47,018	24,224
Non-current		
Land and buildings held for development	**80,375**	105,820
Total Inventories	**127,393**	130,044
Land and buildings comprises:		
Cost of acquisition	**70,375**	73,079
Development costs	**41,015**	40,938
Other costs	**14,767**	14,792
	126,157	128,809

Other costs include finance and administration costs directly attributable to the development project. This includes capitalised finance costs amounting to $4.6 million (2010:$10.8 million), of which $1.6 million relates to the current year at a weighted average rate of 8.53% (2010: 8.41%). Inventories, which are available for immediate sale or anticipated to be realised within 12 months following completion of their development, are treated as current inventories. All other inventories are treated as non-current inventories.

Inventories are carried at the lower of cost and net realisable value. The net realisable value of inventories is the estimated selling price less estimated costs of completion and cost to sell. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made. These estimates are supported by project feasibilities and take into consideration the expected method and timing of disposal.

$126.2 million (2010: $118.8 million) of inventory assets are pledged as security for the Group's interest bearing liabilities.

Inventory impairment provision recognised as an expense in 2011 amounted to $24.4 million (2010: nil).

11. OTHER ASSETS

	2011 $'000	2010 $'000
Current		
Prepayments	**2,111**	2,648
Straight line and rent free	**1,835**	2,246
Accrued revenue	**385**	103
Deposits	**2,271**	1,431
	6,602	6,428
Non-current		
Deferred expenditure (fit out incentives)	**–**	20
	–	20

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12. INVESTMENT PROPERTIES (RETAIL & COMMERCIAL)

	2011 $'000	2010 $'000
At fair value	**152,185**	341,806
Reconciliation		
Carrying amount at 1 July	**341,806**	317,206
Additions & refurbishments	**4,853**	5,615
Fair value adjustments recognised in net profit/(loss)	**(8,931)**	17,866
Reclassification to assets held for sale	**(113,070)**	–
Disposals	**(67,292)**	–
Effect of movements in exchange rate	**(5,181)**	1,119
Carrying amount at 30 June	**152,185**	341,806

VALUATIONS

30 June 2011 independent valuations of the Australian properties were carried out by Jones Lang LaSalle Hotels and the Japanese properties by DTZ (Tokyo). The annual valuations are in accordance with the assumptions set out in Note 1(j). Australian investment properties are 100% owned, and the Japanese properties represent a 97% interest.

Valuation methods used to determine the fair value of investment properties include market sales comparison, discounted cash flow and capitalisation rate. The fair value of the properties has been determined using a combination of these and other valuation methods. The average market capitalisation rate of the Australian investment property portfolio at 30 June 2011 was 8.26% (2010: 7.82%). Other assumptions underlying the valuations include a weighted average vacancy rate of 1.8% (2010: 1.5%) and a weighted average growth in rental income of 3.4% (2010: 3.3%) per annum over 10 years. The average market capitalisation rate of the Japanese properties at 30 June 2011 was 6.18% (2010: 6.18%).

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13. PROPERTY, PLANT AND EQUIPMENT (HOTEL PROPERTIES)

	2011 $'000	2010 $'000
Cost or fair value at 30 June		
Freehold land at fair value	**113,842**	157,126
Leasehold land at fair value	**34,600**	36,800
Buildings at fair value	**382,173**	517,262
Plant and Equipment at cost	**114,557**	117,062
Plant and Equipment accumulated depreciation	**(83,949)**	(76,782)
Total	**561,223**	751,468
Property, Plant and Equipment comprises:		
Hotels	**559,575**	749,953
Other	**1,648**	1,515
	561,223	751,468
Reconciliation – freehold land		
Carrying amount at 1 July	**157,126**	109,626
Additions	**127**	493
Disposal	**(29,237)**	–
Reclassification to assets held for sale	**(24,010)**	–
Revaluation surplus	**9,836**	47,007
Carrying amount at 30 June	**113,842**	157,126
Reconciliation – leasehold land		
Carrying amount at 1 July	**36,800**	22,500
Amortisation	**(800)**	(465)
Revaluation surplus/(deficit)	**(1,400)**	14,765
Carrying amount at 30 June	**34,600**	36,800
Reconciliation – buildings		
Carrying amount at 1 July	**517,262**	502,274
Additions & refurbishments	**1,347**	18,730
Disposal	**(99,023)**	–
Depreciation	**(10,119)**	(10,040)
Revaluation surplus/(deficit)	**45,765**	6,298
Reclassification to assets held for sale	**(73,059)**	–
Carrying amount at 30 June	**382,173**	517,262
Reconciliation – plant and equipment		
Carrying amount at 1 July	**40,280**	41,675
Additions & refurbishments	**5,595**	6,464
Reclassification to assets held for sale	**(4,614)**	–
Disposal	**(3,486)**	(148)
Depreciation	**(7,167)**	(7,711)
Carrying amount at 30 June	**30,608**	40,280
Reconciliation – total		
Carrying amount at 1 July	**751,468**	676,075
Additions & refurbishments	**7,069**	25,687
Reclassification to assets held for sale	**(101,683)**	–
Disposal	**(131,746)**	(148)
Depreciation	**(17,286)**	(17,751)
Amortisation	**(800)**	(465)
Revaluation surplus	**54,201**	68,070
Carrying amount at 30 June	**561,223**	751,468

VALUATIONS

Independent valuations were carried out as at 30 June 2011 by Jones Lang LaSalle Hotels. The annual valuations are in accordance with the assumptions set out in Note 1(k). Hotel properties are 100% owned.

Valuation methods used to determine the fair value of hotel properties include market sales comparison, cost per room, capitalisation rate and with the primary method being discounted cash flow. The average market discounted cash rate of the hotel property portfolio at 30 June 2011 was 11.56% (2010: 10.92%). Other assumptions underlying the valuations include a weighted average occupancy rate in the first year of 78% (2010: 76%), with a weighted average growth in occupancy over 4 years of 0.22% per annum (2010: 1.09% per annum) and a weighted average growth in revenue per available room of 6.62% over 4 years (2010: 5.38% per annum).

13. PROPERTY, PLANT AND EQUIPMENT (HOTEL PROPERTIES) (CONTINUED)

Carrying amounts that would have been recognised if freehold land and buildings were stated at historic cost:

	2011 $'000	2010 $'000
Freehold land		
At cost	**65,048**	79,177
Accumulated depreciation	**–**	–
Net book value	**65,048**	79,177
Leasehold Land		
At cost	**15,000**	15,000
Accumulated amortisation	**(2,929)**	(2,129)
Net book value	**12,071**	12,871
Buildings		
At cost	**265,397**	383,327
Accumulated depreciation	**(63,452)**	(53,332)
Net book value	**201,945**	329,995
Total	**279,064**	422,043

14. ASSETS CLASSIFIED AS HELD FOR SALE

The Menzies Hotel and Wynyard Centre are presented as assets held for sale following the decision of the Board to sell these specific properties. The Menzies Hotel forms part of the Hotel segment and Wynyard Centre forms part of the Retail and Commercial segment.

	2011 $'000
Assets classified as held for sale	
Investment properties	**113,070**
Property, plant and equipment	**101,683**
	214,753
Liabilities classified as held for sale	
Interest bearing liabilities*	**70,000**
	70,000

* This represents the minimum debt repayment required on sale of the above properties and is classified as current liability in line with the sale. Should the sale not occur, this amount is repayable in line with the facility in September 2012. Refer note 17.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2011 $'000	2010 $'000
Current liabilities		
Interest rate swap contracts – cash flow hedges	**2**	6
Non-Current liabilities		
Interest rate swap contracts – cash flow hedges	**4,125**	6,801

Interest rate swaps contracts are remeasured to fair value by reference to quoted market prices at the close of business on the balance sheet date. For the year ended 30 June 2011, an unrealised gain of $2.1 million (2010: unrealised gain of $4.2 million) was recognised in the equity hedging reserve, and an unrealised gain of $0.6 million (2010: unrealised loss of $1.5 million) was recognised in the statement of comprehensive income arising from the interest swap contracts that do not qualify as effective under hedge accounting rules. Refer Note 1(s) and Note 31(b).

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16. TRADE AND OTHER PAYABLES

	2011 $'000	2010 $'000
Current		
Trade payables and accruals	**26,385**	31,444
Deferred revenue*	**7,088**	6,032
Other payables	**6,379**	6,406
	39,852	43,882
Non-Current		
Other payables	**–**	3,684
	–	3,684

* Deferred revenue is deposits received in advance from hotel customers where the service is yet to be provided. Therefore revenue is not recognised and is deferred until the provision of services is completed.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 31.

17. INTEREST BEARING LIABILITIES

		2011 $'000	2010 $'000
Current			
Syndicated bank loan	(i)	**70,000**	12,988
Other bank loans	(iii)	**8,678**	714
Deferred borrowing costs		**(392)**	(135)
		78,286	13,567
Non-current			
Syndicated bank loan	(ii)	**318,654**	575,000
Other bank loans	(iii)	**31,658**	39,937
Deferred borrowing costs		**(157)**	(757)
		350,155	614,180
Financing arrangements			
Total facilities:			
Syndicated bank loans (including bank guarantee)		**500,000**	610,586
Other bank loans		**56,138**	40,706
		556,138	651,292
Used at balance date			
Syndicated bank loans		**388,654**	587,988
Bank guarantee		**2,288**	2,268
Other bank loans		**40,336**	40,651
		431,278	630,907
Unused at balance date			
Syndicated bank loans		**109,058**	20,330
Other bank loans		**15,802**	55
		124,860	20,385

(i) CURRENT SYNDICATED BANK LOAN

This represents the minimum debt repayment required on sale of The Menzies Hotel and Wynyard Centre (refer note 14) and is classified as current liability in line with the sale. Should the sale not occur, this amount is repayable in line with the facility in September 2012.

(ii) SYNDICATED BANK LOAN

During the year the Group negotiated revised terms and conditions of the Syndicated Facility Agreement .The syndicate comprises of Commonwealth Bank of Australia, HSBC Australia, Westpac Banking Corporation and ING Bank N.V. (Sydney Branch). The revised terms included reduced pricing (subject to gearing levels), an amendment to the amortisation requirement and a change to certain financial covenants.

The Group's current facility was amended to reduce the facility limit to $500 million at 30 June 2011.

The covenants relating to the security portfolio interest cover ratio (SPICR) and facility to valuation ratio (LVR) were also amended (see below).

The Syndicated Facility Agreement is denominated in Australian dollars and Japanese yen. At 30 June 2011, it is drawn to $A 371.8 million and $A 16.9 million equivalent Japanese yen. At 30 June 2011, the Group has $109.1 million in available funds under this facility and $9.6 million cash on hand.

17. INTEREST BEARING LIABILITIES (CONTINUED)

The facility matures in September 2012 and is secured by first ranking mortgages and charges over all of the Australian investment properties, hotel land and buildings and specific development land included in inventories.

The effective interest rate on the Group's borrowings (after the impact of interest rate swaps) for the year ended 30 June 2011 was 7.91% (2010: 8.21%). At 30 June 2011, the interest rates on 82% (30 June 2010: 56%) of the Group's borrowings were fixed by interest rate swaps.

FINANCIAL COVENANTS

The Group is in compliance with the financial covenants contained in the Syndicated Facility Agreement. The key financial covenants are:

- Security Portfolio Interest Cover Ratio is not less than 1.50 times over a rolling 12 month period at 30 June 2011, 1.65 times at 31 December 2011 and 1.75 times at 31 December 2012. At 30 June 2011 the ratio was 1.59 (30 June 2010: 1.46).
- Facility Limit to Valuation Ratio not to exceed 55% up to 30 June 2011, then 50% up to 30 June 2012. At 30 June 2011 the ratio was 39.1% (30 June 2010: 51.4%).
- Group Leverage Ratio not to exceed 57.5% up to 30 June 2011, then 55% up to 30 June 2012. At 30 June 2011 the ratio was 48.7% (30 June 2010: 54.2%).

(iii) OTHER BANK LOANS

The Commonwealth Bank of Australia (CBA) facility of $21 million is drawn to $5.2 million and matures in June 2012. The CBA facility is non recourse and is secured against property development inventory of $26.9 million.

The National Australia Bank (NAB) facility of $3.5 million is fully drawn and matures in March 2012. The NAB facility is non recourse and is secured against property development inventory of $6.5 million.

The Orix Corporation (Orix) facility of $31.7 million is fully drawn and matures in November 2012. The Orix facility is non recourse and is secured against Japanese investment properties of $36.3 million. During the year the Group exceeded the loan to value ratio under the Orix facility. As a result all available net funds from the Japanese investment properties are being held by Orix.

18. DISTRIBUTION PROVISIONS

	2011 $'000	2010 $'000
Current		
Distribution	**58,536**	–
Reconciliations		
Carrying amount at 1 July	**–**	–
Provisions made during the year	**58,536**	–
Carrying amount at 30 June	**58,536**	–

PURPOSE AND NATURE OF PROVISIONS

Distribution provision relates to the final distribution for the current year. Refer Note 20.

19. INCOME TAX PROVISIONS

	2011 $'000	2010 $'000
Current		
Income tax payable relating to foreign entities	**168**	55

20. DISTRIBUTIONS

Type	Payment per stapled security cents	Total amount $'000	Date of payment
2011	**10.00**	**58,536**	**31 August 2011**
2010	–	–	–

Distributions proposed or paid by the Group can be a combination of distributions by Thakral Holdings Trust and dividends by Thakral Holdings Limited. The above represents a distribution from Thakral Holdings Trust.

Distributions are paid on partly paid securities to the extent that partly paid securities have been paid (i.e. paid value ÷ issue price), currently at 1%.

The tax status for the 2011 distributions was 30.79% capital gains 50% discount, 37.24% CGT concessional, 31.10% tax deferred and 0.87% foreign other income. Security holders should refer to their annual distribution statement for the exact components of the distribution.

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21. ACCUMULATED LOSSES

	2011 $'000	2010 $'000
Balance at 1 July	**(34,696)**	(45,355)
Net profit/(loss) attributable to the stapled security holders of the Group	**(21,037)**	10,567
Transfer from asset revaluation reserve*	**64,325**	–
Recognition of share-based payments	**(64)**	92
Acquisition on non-controlling interests	**1,643**	–
Distributions	**(58,536)**	–
Balance at 30 June	**(48,365)**	(34,696)

* Realised from the sale of Novotel Melbourne on Collins.

22. ISSUED CAPITAL

	2011 No. of securities	2011 $'000	2010 No. of securities	2010 $'000
Thakral Holdings Limited				
Stapled securities at beginning of financial year				
Fully paid stapled securities	**584,645,014**	**177,279**	584,645,014	177,279
Partly paid stapled securities	**40,000,000**	**108**	40,000,000	108
Total stapled securities at beginning of financial year		**177,387**		177,387
Movements during financial year				
Vested stapled securities issued*	**317,500**	**45**	–	–
Stapled securities at end of financial year				
Fully paid stapled securities	**584,962,514**	**177,324**	584,645,014	177,279
Partly paid stapled securities	**40,000,000**	**108**	40,000,000	108
Total stapled security at end of financial year		**177,432**		177,387

	2011 No. of securities	2011 $'000	2010 No. of securities	2010 $'000
Thakral Holdings Trust				
Stapled securities at beginning of financial year				
Fully paid stapled securities	**584,645,014**	**129,311**	584,645,014	129,311
Partly paid stapled securities	**40,000,000**	**92**	40,000,000	92
Total stapled securities at beginning of financial year		**129,403**		129,403
Movements during financial year				
Vested stapled securities issued*	**317,500**	**103**	–	–
Stapled securities at end of financial year				
Fully paid stapled securities	**584,962,514**	**129,414**	584,645,014	129,311
Partly paid stapled securities	**40,000,000**	**92**	40,000,000	92
Total stapled security at end of financial year		**129,506**		129,403
Total Capital		**306,938**		306,790

The Group currently has on issue 40,000,000 partly paid stapled securities which are owned by Replay Investments Pty Limited (a Company controlled by the Thakral Family, a related party). The amount to be called on these partly paid stapled securities is 49.5 cents each and these securities have voting rights in proportion to amounts paid up. The Group may call for the payment of the unpaid balance at any time before 11 June 2019 subject to giving three months notice. In the event that unpaid balance is not paid by 11 June 2019, or not paid in the event of the funds being called by the company, then these securities may be forfeited and become the property of the Group and may be sold or otherwise disposed of by the Group.

* The performance measure which drives LTI vesting is the Group's TSR performance relative to the companies within the ASX S&P 200 Property Index. As a result of the Group's performance over the period, Tranche 1 of LTIs awarded in the financial years of 2008–2011 ($148,452) vested on 1 January 2011. Refer Remuneration Report.

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23. RESERVES

	2011 $'000	2010 $'000
Asset revaluation reserve	**288,975**	299,099
Foreign currency translation reserve	**139**	207
Hedging reserve – cash flow hedges	**(3,177)**	(5,294)
	285,937	294,012
Movement in asset revaluation reserve		
Balance 1 July	**299,099**	231,029
Transfer to accumulated losses*	**(64,325)**	–
Revaluation surplus in the year	**54,201**	68,070
Balance 30 June	**288,975**	299,099
Movement in foreign currency translation reserve		
Balance 1 July	**207**	21
Currency translation differences	**(68)**	186
Balance 30 June	**139**	207
Movement in hedging reserve – cash flow hedges		
Balance 1 July	**(5,294)**	(9,524)
Changes in fair value	**2,117**	4,230
Balance 30 June	**(3,177)**	(5,294)

* Realised from the sale of Novotel Melbourne on Collins.

PURPOSE AND NATURE OF RESERVES

The asset revaluation reserve records unrealised increments in the value of hotel properties, as described in accounting policy Note 1(k).

The foreign currency translation reserve records the foreign currency differences arising from the translation of the financial reports of foreign operations.

The hedging reserve records unrealised gains or losses on hedging instruments in cash flow hedges that are recognised directly in equity, as described in accounting policy Note 1(s). Amounts are recognised in the statement of comprehensive income when the associated hedged transaction affects profit and loss.

24. EMPLOYEE BENEFITS

	2011 $'000	2010 $'000
Aggregate liability for employee and director benefits, including on-costs		
Current		
Employee benefits	**5,379**	5,422
Director benefits	**752**	752
	6,131	6,174
Non-current		
Employee benefits	**1,062**	1,194
Director benefits	**753**	753
	1,815	1,947

EMPLOYEE BENEFITS

Employee benefits include wages, salaries, annual leave and long service leave obligations resulting from employees' services provided to reporting date. Refer note 1(r).

DIRECTORS' RETIREMENT PLAN

The Thakral Holdings Limited Non Executive Directors' Retirement Plan was established in March 1995 to provide certain benefits to non executive directors. The retirement benefit is three times the fee payable to the director in the last year of service subject to that amount not exceeding the total amount of fees paid to the director in the last three years of service. Any payment of the benefit is at the discretion of the Board and is subject to approval by the Board at the time the payment is due. The amounts payable under the Plan do not exceed the limitations contained in Section 200G (2) of the *Corporations Act 2001*. In November 2007, all benefits that may accrue to Directors' retiring were frozen. Accordingly, $1,505,000 represents the maximum amount payable. Refer note 1(r).

SUPERANNUATION

The Company and other controlled entities contribute superannuation to several defined contribution funds. Accordingly, there is no requirement for any provision in relation to unfunded superannuation at balance date (2010: $nil). Refer note 1(r).

LONG TERM INCENTIVE SCHEME (LTIS)

For details regarding the LTIS and the Group's remuneration structure for executives refer to the Remuneration Report included in the Directors' Report. Refer note 1(r).

25. COMMITMENTS

	2011 $'000	2010 $'000
Capital expenditure		
Contracted but not provided for and payable not later than one year	**1,152**	600
Non-cancellable operating lease receivables from investment property tenants		
Non-cancellable operating lease commitments not recognised in the financial reports are receivable:		
Within one year	**17,252**	21,098
Later than one year but no later than five years	**34,408**	42,899
Later than five years	**11,333**	10,626
	62,993	74,623

Annual rent receivable under current leases from tenants is from commercial and retail property held. Rent reviews are generally performed on an annual basis.

NON-CANCELLABLE OPERATING LEASE COMMITMENTS

A subsidiary entity, THL Wynyard Centre Unit Trust, has long-term ground and tunnel lease agreements. These leases expire on 30 November 2059 and 30 June 2059 respectively with an option to renew for a period of 30 years to 30 November 2089. The lessor can terminate the tunnel lease by giving a two-year notice period to the Group if the tunnel is required for railway purposes. Rents payable under these agreements are determined at regular intervals. Future rental commitments applicable to these leases have been determined utilising current rents.

Non-cancellable commitments on the above leases and other operating leases are as follows:

	2011 $'000	2010 $'000
Future non-cancellable operating lease rentals not provided for in the financial reports and payable:		
Within one year	**2,730**	1,855
Later than one year but no later than five years	**10,890**	7,394
Later than five years	**118,116**	82,006
	131,736	91,255

26. CONTINGENT ASSETS AND LIABILITIES

Details of contingent assets and contingent liabilities where the probability of future receipts/payments is not considered remote are set out below.

CONTINGENT LIABILITIES NOT CONSIDERED REMOTE

The directors are of the opinion that provisions are not required in respect of the following matters, as it is not probable that a future sacrifice of economic benefits will be required.

WYNYARD CENTRE – CONTINGENT SETTLEMENT SUM

Pursuant to the provisions of the ground lease relating to the Group's investment in the Wynyard Centre, a contingent settlement sum is payable to the New South Wales Government following the receipt of the first comprehensive redevelopment approval for at least 50% of the net lettable area of the property. The sum is determined as being the greater of: $10,000,000 or 25% of the increase in the "Land Value" (as defined under the Valuation of Land Act) over and above $83,600,000 of the main lease premises resulting from the approval. The contingent settlement sum will not be payable unless the Group applies for and receives a comprehensive redevelopment approval. Accordingly, the contingent settlement sum has not been taken into account in the valuation. The 30 June 2011 fair value assumes no re-development and is on an existing use basis.

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27. CONTROLLED ENTITIES

Name of entity	Notes
Parent entity	
Thakral Holdings Limited (THL)	
Controlled Entities 100% owned unless indicated otherwise	
Adelaide Hotel Site Trust	
Adelaide Hotel Unit Trust	
Antigua Developments Pty Limited	
Antigua Developments Unit Trust	
Antigua Project Management Pty Limited	
Antigua Project Management Unit Trust	
AOC Operations Pty Limited	
AOC Unit Trust	
Australia Hotel Unit Trust	
Australia on Collins Pty Limited	
Brighton Beach Unit Trust	
Frenfall Pty Limited	
GK Osaka Property Holdings	(b) (c)
Goldsea Pty Limited	
Kirribilli Venture Co Pty Limited	
Kirribilli Venture Unit Trust	
KVT Finance Pty Limited	
Launceston International Hotel (Operations) Pty Limited	
Launceston International Hotel Unit Trust	
Northbeach Wollongong Pty Limited	
Northbeach Wollongong Unit Trust	
Pacific Bay Development Pty Limited	
Pacific Bay Development Unit Trust	
Pacific Bay Investments Pty Limited	
Pacific Bay Investments Unit Trust	
Pacific Bay Property Management Pty Limited	
Pacific Bay Property Management Unit Trust	
Pacific Century Hotels Pty Limited	
Pacific Century Hotels Unit Trust	
Palm Cove Development Nominees Pty Limited	(d)
PCH Melbourne Pty Limited	
PCH Melbourne Unit Trust	
Portfolio Property Holding Pty Limited	
Property Holding Unit Trust	
Property Operations Trust	
Queensland Property Unit Trust	
Rainworth Pty Limited	
Sovereign Funds Management Limited	
Sovereign Property Fund	
Sovereign Property Fund Pty Limited	
Tarragindi Pty Limited	
Thakral Asia Pty Limited	
Thakral Asia Unit Trust	
Thakral Brighton Hotel Pty Limited	
Thakral Brisbane Hotel Pty Limited	
Thakral Brisbane Hotel Unit Trust	
Thakral Fidelity Pty Limited	
Thakral Finance Pty Limited	
Thakral Finance Unit Trust	
Thakral Holdings Trust (THT)	(a)
Thakral Operations Pty Limited	
Thakral Property Management Pty Limited	
Thakral Property Management Unit Trust	
Thakral Property Trust	
THL Cairns Pty Limited	

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27. CONTROLLED ENTITIES (CONTINUED)

Name of entity	Notes
THL Cairns Unit Trust	
THL Data Centre Pty Limited	
THL Data Centre Unit Trust	
THL Developments No 2 Unit Trust	
THL Developments No. 2 Pty Limited	
THL Equities Pty Limited	
THL Equities Unit Trust	
THL Gold Coast Pty Limited	
THL Gold Coast Unit Trust	
THL Harbourview Pty Limited	
THL Harbourview Unit Trust	
THL Hotel Investments Pty Limited	
THL Hotel Investments Unit Trust	
THL Investments Pty Limited	
THL Investments Unit Trust	
THL Norwest Pty Limited	
THL Norwest Unit Trust	
THL Palm Cove Development Pty Limited	
THL Palm Cove Development Unit Trust	
THL Pioneer Park Pte Limited	(b)
THL Property Management (Qld) Pty Limited	
THL Property Management (Qld) Unit Trust	
THL Robina Pty Limited	
THL Robina Unit Trust	
THL Wynyard Centre Pty Limited	
THL Wynyard Centre Unit Trust	
Victorian Operations Trust	
Wynyard Properties Pty Limited	
Wynyard Unit Trust	

(a) THL is deemed to control THT due to owning all voting units of the Trust.
(b) All entities were formed/incorporated in Australia with the exception of THL Pioneer Park Pte Limited which is incorporated in Singapore and GK Osaka Property Holdings which is incorporated in Japan.
(c) Equity ownership is 97%.
(d) Equity ownership is 100% (2010: 93.75%). During the financial year, the Group purchased the non-controlling interest of 6.25%.

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28. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

(A) KMP

The following persons were considered KMP of the Group during the financial year. Unless otherwise indicated these personnel were involved in the management of the Group for the entire period.

Name	Position
Executives	
John Stewart Hudson	Chief Executive Officer and Managing Director
Anthony Story	Chief Financial Officer & Joint Company Secretary
Andrew Horne	General Counsel/Company Secretary
Laurie Whittome	Joint General Manager Hotels
Wayne Munn	Joint General Manager Hotels
Jeff Kahler	General Manager Retail & Commercial and Property Development
Non-Executive Directors	
Albert Edward (Ted) Harris	Joint Chairman (Non-executive)
Kartar Singh Thakral	Joint Chairman (Non-executive)
Hugh Douglas Keller	Director (Non-executive)
Inderbethal Singh Thakral	Director (Non-executive)
Jaginder Singh Pasricha	Director (Non-executive)
Lim Swe Guan	Director (Non-executive)
Rikhipal Singh Thakral	Director (Non-executive)

(B) KMP COMPENSATION

	2011 $'000	2010 $'000
Short-term benefits	**3,550,836**	3,122,804
Post-employment benefits	**137,244**	124,888
Retirement benefits	**–**	388,776
Long-term benefits	**71,439**	(19,121)
Share-based payment	**83,442**	100,941
Other benefits	**41,876**	37,266
Total	**3,884,837**	3,755,554

Information regarding individual KMP compensation disclosures is provided in the Remuneration Report on pages 40 to 42 in the Directors' Report.

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28. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(C) KMP SECURITY HOLDINGS

The movement during the financial year in the number of securities of the Group held directly, indirectly or beneficially, by each specified KMP, including their personally-related entities that they are aware of is as follows:

	2011			2010		
	Opening holding	**Acquired/ (disposal)**	**Closing holding**	**Opening holding**	**Acquired/ (disposal)**	**Closing holding**
Executive Director						
John Stewart Hudson	**58,011**	**125,000****	**183,011**	58,011	–	58,011
Executives						
Anthony Story	**6,000**	**65,000****	**71,000**	6,000	–	6,000
Andrew Horne	**5,786**	**42,500****	**48,286**	5,786	–	5,786
Jeffrey Kahler	**81,900**	**–**	**81,900**	81,900	–	81,900
Laurie Whittome	**–**	**42,500****	**42,500**	–	–	–
Wayne Munn	**–**	**42,500****	**42,500**	–	–	–
Non-Executive Directors						
Albert Edward (Ted) Harris	**320,000**	**–**	**320,000**	320,000	–	320,000
Kartar Singh Thakral	**246,520,069***	**–**	**246,520,069***	246,520,069*	–	246,520,069*
Hugh Keller	**100,000**	**–**	**100,000**	–	100,000	100,000
Inderbethal Singh Thakral	**246,520,069***	**–**	**246,520,069***	246,520,069*	–	246,520,069*
Jaginder Singh Pasricha	**226,092**	**–**	**226,092**	36,092	190,000	226,092
Rikhipal Singh Thakral	**248,920,069***	**–**	**248,920,069***	248,920,069*	–	248,920,069*
Peter John McGovern	**–**	**–**	**–**	8,386	–	–

* Various entities owned or controlled by the Thakral Family.
** Vested stapled securities issued as part of long term incentive scheme. Refer Remuneration Report on Page 40 to 42.

In addition, Mr Kartar Singh Thakral, Mr Rikhipal Singh Thakral and Mr Inderbethal Singh Thakral have a relevant interest in 40,000,000 partly paid securities (2010: 40,000,000).

(D) LOANS AND OTHER TRANSACTIONS WITH KMP

No loans have been made, guaranteed or secured, directly or indirectly, by the Group, to KMP and their personally-related entities.

A number of the KMP, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities may have transacted with the Group in the reporting period. The terms and conditions of those transactions would have been no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

Details of the transactions with KMP and their personally-related entities are as follows:

The Group provides office and other services to Thakral Corporation Pty Limited (a Thakral Family Company of which Mr K S Thakral, Mr I S Thakral and Mr R S Thakral are directors), and other related entities on commercial terms and conditions. The amount received for office and other services during the year totalled $6,000 (2010: $8,170). In 2011, The Group also purchased electronic goods of $17,511 from Thakral Corporation Pty Limited (2010: Nil).

The KMP, or their personally-related entities, from time to time, use the hotel facilities of the Group. The benefits received are on the same terms and conditions to those offered to other employees of the Group.

Other than outlined above, the terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

29. NON DIRECTOR RELATED PARTY TRANSACTIONS

(A) PARENT ENTITY

The ultimate parent entity and the ultimate controlling party within the Group is Thakral Holdings Limited.

(B) CONTROLLED ENTITIES AND JOINT VENTURES

Interests in controlled entities are set out in Note 27 Controlled Entities.

(C) KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in Note 28 Key Management Personnel and the Remuneration Report on pages 40 to 42.

(D) TRANSACTIONS WITH OTHER RELATED PARTIES

Some loans between controlled entities were on an interest free basis (repayable on demand) whilst others were charged interest at commercial rates and all were on an unsecured basis. Lease agreements and fees are in place within the Group whereby trusts operating a hotel, retail or commercial operation pay rental to the property holding trust.

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30. RECONCILIATION OF NET/(LOSS) PROFIT TO NET CASH FROM OPERATING ACTIVITIES

	2011 $'000	2010 $'000
Net profit/(loss) for the year	**(20,992)**	10,608
Inventory impairment provision	**24,388**	–
Loss/(gain) on disposal of non-current assets	**(1,421)**	104
Depreciation and amortisation of property, plant and equipment	**18,086**	18,216
Net loss/(gain) from fair value adjustments on investment properties	**8,931**	(17,866)
Syndicated bank debt refinancing costs	**–**	4,333
Finance costs	**50,630**	57,644
Unrealised foreign exchange loss/(gain)	**(1,709)**	507
Unrealised cash flow hedge movements	**(563)**	1,512
Decrease/(Increase) in assets		
Inventories	**(14,332)**	50,836
Prepayments	**521**	(114)
Trade and other receivables	**(139)**	497
Other assets	**(1,306)**	(407)
(Decrease)/Increase in liabilities		
Trade creditors and accruals	**(614)**	(3,792)
Employee benefits and provisions	**(174)**	(598)
Net cash inflow from operating activities	**61,306**	121,480

31. FINANCIAL AND CAPITAL RISK MANAGEMENT

(A) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities result in exposure to a variety of financial risks, including market risk (interest rate risk, currency risk), credit risk and liquidity risk. The Group's overall financial risk management programme seeks to mitigate these risks and reduce volatility on the financial performance.

Financial risk management is carried out under policies approved by the Board of Directors. The Group's financial risk position with respect to key financial objectives are regularly presented to the Board.

Group's management of financial risk is aimed at ensuring net cash flows are sufficient to:

- meet its financial commitments as and when they fall due;
- maintain the capacity to fund its strategy; and
- continue to pay distributions.

The Group's principal financial instruments, other than derivatives, comprise interest-bearing debt, cash and short-term deposits. Other financial instruments include trade receivables and payables, which arise directly from operations.

It is, and has been, throughout the period, the Group's policy that no speculative trading in financial instruments shall be undertaken.

(B) MARKET RISK

Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices. Market risk arises as a consequence of the Group's exposure to interest rate and foreign currency risks.

INTEREST RATE RISK

Interest rate risk is the risk that the Group's financial position will be adversely affected by a movement in interest rates that will increase the cost of floating rate debt.

Floating rate debt exposes the Group to cash flow interest rate risk. This exposure is managed by using interest rate swaps. Interest rate swaps allow the Group to swap floating rate borrowings into fixed rates. Maturities of swap contracts are principally between one and four years. The Group classifies interest rate swaps as cash flow hedges and measures them at fair value.

Each contract involves a quarterly payment or receipt of the net amount of interest. At 30 June 2011 the fixed rates varied from 4.95% to 6.54% (2010: 4.98% to 6.54%).

At 30 June 2011, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2011 $'000	2010 $'000
Less than 1 year	**30,000**	50,000
1 – 2 years	**220,000**	30,000
2 – 3 years	**100,000**	220,000
3 – 4 years	**–**	50,000
	350,000	350,000

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31. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

The weighted average effective interest rate on the overall bank loans at 30 June 2011 after incorporating the effects of the swaps and the Group's credit margin was 7.91% (2010: 8.21%).

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities after incorporating the interest rate swaps is set out below.

		2011					2010				
	Note	Effective weighted average interest rate %	Floating interest rate $'000	Fixed interest rate $'000	Non interest bearing $'000	Total $'000	Effective weighted average interest rate %	Floating interest rate $'000	Fixed interest rate $'000	Non interest bearing $'000	Total $'000
Financial assets											
Cash and cash equivalents		**4.30**	**9,641**	**–**	**–**	**9,641**	3.33	12,548	–	–	12,548
Trade and other receivables	9	**–**	**–**	**–**	**12,370**	**12,370**	5.17	1,719	–	16,264	17,983
Total financial assets			**9,641**	**–**	**12,370**	**22,011**		14,267	–	16,264	30,531
Financial liabilities											
Trade and other payables	16	**n/a**	**–**	**–**	**39,852**	**39,852**	n/a	–	–	47,566	47,566
Bank loans	17	**7.91**	**78,441**	**350,000**	**–**	**428,441**	8.21	277,747	350,000	–	627,747
Total financial liabilities			**78,441**	**350,000**	**39,852**	**468,293**		277,747	350,000	47,566	675,313
Net financial liabilities			**(68,800)**	**(350,000)**	**(27,482)**	**(446,282)**		(263,480)	(350,000)	(31,302)	(644,782)

INTEREST RATE RISK SENSITIVITY ANALYSIS

An increase or a decrease of 100 basis points in market interest rate would result in a loss or gain of $0.5 million (2010: $2.4 million loss/gain) and an increase or decrease in equity of $5.7 million (2010: $7.0 million increase or decrease).

The above analysis assumes that all other variables remain constant and that the balance at the reporting date is representative for the year as a whole.

CURRENCY RISK

Currency risks arise on account of financial instruments being denominated in a currency that is not the functional currency (Australian dollar) and being of a monetary nature. The Group's principal financial instruments, other than derivatives, comprise interest-bearing debt, cash and short-term deposits. Other financial instruments include trade receivables and payables, which arise directly from operations.

Differences resulting from the translation of financial reports into the Group's presentation currency (Australian dollar) are not taken into consideration because foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The Group has investments in Japan and accordingly is exposed to foreign exchange risk arising from currency exposure to the Japanese yen (JPY). This exposure is minimized by predominately matching the JPY debt with the JPY investment to form a natural hedge against movements in exchange rates.

The borrowings of JPY 468 million is designated as the hedge of the net investment in the JPY functional currency subsidiary and offset the gains or losses on translation of the net investment in the subsidiary, to the extent that it is effective.

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
AUD	**2011**	**2010**	**2011**	**2010**
JPY	**82.44**	79.20	**86.33**	75.46

CURRENCY SENSITIVITY ANALYSIS

The following analysis summarises the sensitivity of financial instruments held at balance date to movement in the exchange rate of the Australian dollar to JPY, with all other variables held constant. The 10% sensitivity is based on reasonable possible changes, over a financial year, using the observed range of actual historical rates for the preceding 36 months.

AUD/JPY

An increase of 10% to AUD/JPY exchange rate would result in a gain of $1.0 million (2010: $1.2 million gain) and an increase in equity of $493,000 (2010: $507,000 increase).

A decrease of 10% to AUD/JPY exchange rate would result in a loss of $1.3 million (2010: $1.5 million loss) and a decrease to equity of $603,000 (2010: $620,000 decrease).

(C) CREDIT RISK

In respect of credit risk arising from financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and requires customers to pay in accordance with agreed terms. The Group's trade receivables include customers from Hotel, Retail & Commercial, and Property Development division.

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31. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

Hotel customers are segmented into two distinct groups: Corporate and Non-Corporate. Corporate customers are required to settle within 30 days from date of invoice and non-corporate customers are required to settle immediately upon receiving the invoice.

Retail & Commercial customers are required to settle upon receiving the invoice and rental is paid in advance. The Group holds security for a number of trade receivables in the form of bank guarantees and deposits.

Property Development customers (excluding Englobo sales) are required to pay an advance deposit, generally of 5% to 10% of the contract value with settlement usually within 6–8 weeks of completing the development.

Ongoing checks are performed by management to ensure that settlement terms are adhered to. All credit and recovery risk associated with trade receivables has been provided for in the balance sheet.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The notional amounts of financial instruments used in interest rate management do not represent the credit risk arising through the use of these instruments. The immediate credit risk of these instruments is generally estimated by the fair value of contracts with a positive value. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount.

The credit risk on financial assets of the Group which have been recognised on the balance sheet is the carrying amount, net of any provision for doubtful debts. The Group minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties.

The Group is not materially exposed to any individual customer and has no significant concentrations of credit risk for trade receivables.

EXPOSURE TO CREDIT RISK

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

	Carrying Amount	
	2011 $'000	**2010 $'000**
Cash and cash equivalents	**9,641**	12,548
Trade receivables	**8,123**	14,125
Other receivables and security deposit	**4,247**	3,858
	22,011	30,531

AGEING ANALYSIS OF TRADE RECEIVABLES

Consolidated	**Total $'000**	**Not past due $'000**	**Past due 1-90 days $'000**	**Past due 90+ days $'000**
2011				
Trade receivables	**8,284**	**6,470**	**1,627**	**187**
Impairment	**(161)**	**(8)**	**(17)**	**(136)**
Net receivables	**8,123**	**6,462**	**1,610**	**51**

Consolidated	**Total $'000**	**Not past due $'000**	**Past due 1-90 days $'000**	**Past due 90+ days $'000**
2010				
Trade receivables	14,281	11,954	1,850	477
Impairment	(156)	(16)	(2)	(138)
Net receivables	14,125	11,938	1,848	339

The Group reviews the collectability of trade receivables on an ongoing basis at the divisional level. An impairment provision is recognised when there is object evidence that the Group will not be able to collect the receivables. Debts that are known to be uncollectible are recognised individually. The full amounts of debtors are provided as doubtful debts net of any security on hand when they are over 120 days by Hotel division and 90 days by Retail & Commercial division.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2011 $'000	**2010 $'000**
Balance at 1 July	**(156)**	(29)
Bad debt written off	**177**	66
Reversal of provision due to recoveries	**83**	68
Provision made during the year	**(265)**	(261)
Balance at 30 June	**(161)**	(156)

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31. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(D) LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its payment obligations.

The Group's objective is to maintain efficient use of cash and debt facilities in order to minimise the cost of borrowing to the Group and ensure sufficient availability of credit facilities.

Liquidity risk is reduced through prudent cash management which ensures sufficient levels of cash are maintained to meet working capital requirements and timely review and renewal of credit facilities.

The following are the contractual maturities of financial liabilities, including the timing of estimated interest payments:

		Contractual Cash Flow Maturity			
Consolidated	Carrying amount $'000	6 months or less $'000	Between 6 to 12 months $'000	Between 1 to 5 years $'000	Total Contractual Cash Flows $'000
2011					
Trade and other payables	**26,260**	**8,862**	**17,398**	**–**	**26,260**
Interest-bearing liabilities	**428,990**	**15,162**	**98,005**	**427,241**	**540,408**
Interest rate swaps	**4,127**	**1,409**	**1,396**	**2,421**	**5,226**
	459,377	**25,433**	**116,799**	**429,662**	**571,894**
2010					
Trade and other payables	32,548	14,174	19,602	–	33,776
Interest-bearing liabilities	628,638	24,109	36,747	677,504	738,360
Interest rate swaps	6,807	2,481	2,161	6,500	11,142
	667,993	40,764	58,510	684,004	783,278

At 30 June 2011, the Group has cash of $9.6 million and undrawn facilities of $124.9 million.

(E) FAIR VALUES

The carrying amounts of cash, receivables, other assets, bank overdrafts and loans, accounts payable, lease liabilities and dividends/distributions payable approximate fair values.

The fair value of financial instruments traded in active markets, such as derivatives is based on quoted market bid prices at the balance date.

The Group's only fair value instruments are interest rate swaps and are classified as level 2* financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows and based on the notional amount of the swaps, the maturity of the swap contracts and the forward interest rate for each respective payment date. The fair value of interest rate swaps recognised on the Group's balance sheet held at 30 June 2011 is a liability of $4.1 million (2010: a liability of $6.8 million).

* The Group uses the following hierarchy for determining and disclosing the fair value of a financial instrument. The valuation techniques comprise:

Level 1: the fair value is calculated using unadjusted quoted prices in active market for identical assets or liabilities.

Level 2: the fair value is estimated using inputs other than unadjusted quoted prices that are observable, either directly (as prices) or indirectly (derived from prices).

Level 3: the fair value is estimated using inputs that are not based on observable market data.

(F) CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while optimising the return to stakeholders through the balance of debt and equity taking into account return on equity, earnings growth, risk and borrowing capacity.

The Board of Directors reviews the capital structure, the cost of capital and the capital associated risks. The Group balances its overall capital structure through the payment of distributions, security buy-backs as well as the issue of new debt or the redemption of existing debt.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 17, cash and cash equivalents and equity attributable to equity holders, comprising accumulated losses, issued capital and reserves as disclosed in Notes 21, 22 and 23 respectively.

The capital structure of the Group is managed within the constraints of the borrowing covenants as set out in Note 17 and is generally monitored using the gearing ratio. The ratio at year end was as follows:

	2011 $'000	2010 $'000
Net debt(1)(2)	**418,800**	615,199
Tangible assets(3) less cash	**1,097,843**	1,260,049
Gearing ratio(4)	**38.2%**	48.8%
NTA	**$0.93**	$0.97
Adjusted NTA(3)	**$0.97**	$0.99

(1) Net debt is total interest bearing liabilities less cash.
(2) Impacted by foreign exchange movements. See Note 17.
(3) Adjusted for leasehold land of $16.3 million and revaluation surplus of $7.0 million not recognised in relations to hotel properties classified as assets held for sale.
(4) The gearing ratio is determined as the proportion of net debt to tangible assets less cash.

32. PARENT ENTITY DISCLOSURE

Result of the parent entity – Thakral Holdings Limited	Company 2011 $'000	Company 2010 $'000
Profit/(loss) for the year	**(500)**	44
Other comprehensive income	**–**	–
Total comprehensive income for the year	**(500)**	44
Financial position of parent entity at year end		
Current assets	**67**	57
Total assets	**178,463**	178,805
Current liabilities	**927**	799
Total liabilities	**927**	799
Net Assets	**177,536**	178,006
Total equity of the parent entity comprising of:		
Issued capital	**177,432**	177,387
Retained profit	**104**	619
Total equity	**177,536**	178,006

CONTINGENT LIABILITIES

Thakral Holdings Limited has provided Sovereign Funds Management Limited (wholly owned entity) with a Deed guaranteeing the performance of various obligations of Sovereign Funds Management Limited in respect to its role as Responsible Entity of Thakral Holdings Trust. The total liability covered by this guarantee is $6.5 million.

33. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no significant events or transactions other than as disclosed in this Annual Financial report that have arisen since the end of the financial year, which in the opinion of the directors, would affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group.

DIRECTORS' DECLARATION

1 In the opinion of the directors of Thakral Holdings Limited ("the Company"):
   (a) the consolidated financial statements and notes set out on pages 1 to 31 and the Remuneration Report in the Directors' Report, set out on pages 40 to 42, are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of their performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2011.

3 As discussed in Note 1(a), the financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

A E Harris
Chairman

J S Hudson
Managing Director

Dated at Sydney this 25th day of August 2011.

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AUDIT OPINION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THAKRAL HOLDINGS LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Thakral Holdings Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising of 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 is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity'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 entity'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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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*.

AUDITOR'S OPINION

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 40 to 42 of the directors' report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 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 auditing standards.

AUDITOR'S OPINION

In our opinion, the remuneration report of Thakral Holdings Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Nigel R Virgo
Partner

Sydney

25 August 2011

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CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2011

The following table shows the status of the Thakral Holdings Limited Group's **(Group)** compliance against the ASX Corporate Governance Council's Principles and Recommendations, in accordance with ASX Listing Rule 4.10.

The Board endorses effective Corporate Governance practices and oversees a commitment to high standards of legislative compliance and ethical behaviour. The Board continually reviews the Group's governance practices to ensure that they promote sustainable value for shareholders and address the Group's responsibilities to all of its stakeholders.

Additional material on the Board's governance practices and policies is posted from time to time on the Group's website: www.thakral.com.au.

Principle 1: Lay solid foundations for management and oversight — **Comply**

1.1 *Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.* — Yes

The role of the Board is formally set out in the Board Charter. The Board is responsible for ensuring that Thakral Holdings Limited and its controlled entities (the "Group") is managed in a manner that protects and enhances the interests of its security holders and takes into account the interests of employees, customers, suppliers, lenders, government and the wider community. The relationship between the Board and management is crucial to the Group's long term success.

The Board is responsible for the strategic direction of the Group, establishing goals for management and monitoring the achievement of those goals. The Managing Director is responsible to the Board for the day to day management of the Group.

The specific responsibilities of the Board include: oversight of the Group; appointing and removing the Managing Director; ratifying the appointment and removal of the Company Secretary/General Counsel, the General Managers and the Internal Auditor; assessing management's proposals in regard to corporate strategy; reviewing and ratifying systems of risk management, internal compliance and control, codes of conduct and legal compliance; monitoring senior management's performance and implementation of strategy; approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestments; approving and monitoring financial and other reporting; determining the level of distributions; monitoring OH&S and environmental compliance; monitoring the Group's relationship with its stakeholders and compliance with ethical standards and the Group's corporate code of conduct; reviewing and approving the remuneration of the Managing Director and senior management, and planning for Board and management succession. Certain authority is delegated to management to facilitate the effective day to day operations of the Group.

A statement of the authority delegated to management by the Board can be found on the Group's website.

1.2 *Companies should disclose the process for evaluating the performance of senior executives.* — Yes

Evaluation of key executives' performance is conducted annually by the Managing Director. This evaluation includes assessment of the respective executive's performance against business and personal objectives agreed at the beginning of the year. The results of this evaluation are also reviewed by the Remuneration Committee.

The Managing Director also monitors executive performance throughout the year through regular meetings where progress towards achieving the set objectives is discussed.

Principle 2: Structure the board to add value — **Comply**

2.1 *A majority of the board should be independent directors.* — No

The Board currently comprises seven non executive directors and the Managing Director. Details of the background, experience and professional skills of the directors are set out on page 37.

The composition of the Board is determined using the following principles:

- A maximum of nine directors, and a minimum of three directors; and
- A focus on skills and expertise most appropriate for the Group's objectives.

The Group does not comply with ASX Recommendation 2.1 which recommends that the Board have a majority of independent directors. Messrs Kartar Singh Thakral, Rikhipal Singh Thakral and Inderbethal Singh Thakral are assessed as non-independent as a result of being associated with various Thakral family and other related entities which together are substantial security holders. Also Mr Lim Swe Guan was until 18 February 2011 a senior executive of the Government of Singapore Investment Corporation Pte Ltd, which is also a substantial security holder. From this date, Mr Lim Swe Guan is considered independent. The Managing Director is classified as non-independent. Each of these directors provides the Company with access to expertise and resources relevant to our business.

The independent Directors throughout the year were Joint Chairman of the board, Albert Edward (Ted) Harris, Hugh Keller and Jaginder Singh Pasricha.

The Board considers that the interests of the Group are best served by appointing directors with the relevant skills and expertise to enhance the Group's performance. The Board believes that each director brings an independent, objective judgement to the deliberations of the Board.

2.2 *The chair should be an independent director.* — Yes

There are currently two Joint Chairmen of the Group. These are Albert Edward (Ted) Harris, who is independent and Kartar Singh Thakral, who is not assessed as independent. Mr Thakral's appointment is seen as a reflection of his significant experience and industry knowledge. Mr Harris chairs all board and Annual meetings.

2.3 *The roles of chair and chief executive officer should not be exercised by the same individual.* — Yes

The Group's current Chief Executive Officer and Managing Director is John Hudson.

2.4 *The board should establish a nomination committee.* — Yes

The Board has established a nomination committee, comprised of Albert Edward (Ted) Harris and Kartar Singh Thakral. The Nomination Committee ensures that the Group employs high-calibre non-executive Directors by providing the Board with recommendations for all appointments to the Board and the position of the Managing Director. The Board has adopted a Charter for the committee, which is available on the Group's website.

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2.5	*Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.* The Joint Chairmen periodically evaluate the effectiveness of the Board as a whole, and that of the individual directors, compare the performance of the Board with the requirements of its charter, goals and objectives and recommend any improvements to the Board Charter deemed necessary or desired.	Yes
Principle 3: Promote ethical and responsible decision-making		**Comply**
3.1	*Companies should establish a code of conduct and disclose the code or a summary of the code.* The Group has a Code of Ethics for directors, senior executives and employees and a Code of Conduct for Directors. These Codes are aimed at ensuring that the highest ethical standards, corporate behaviour and accountability are maintained across the Group. These Codes are published on the Group's website.	Yes
3.2	*Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.* All employees and directors of the Group and its related companies are prohibited by law from trading in the Group's securities or other securities if they are in possession of market sensitive information. Directors of the Company must advise a Company Secretary of their trading in the Group's securities within five days. The Group's securities trading policy is published on the Group's website.	Yes
Principle 4: Safeguard integrity in financial reporting		**Comply**
4.1	*The board should establish an audit committee*. The Board has established an Audit and Risk Management Committee, which monitors internal controls, policies and procedures designed to safeguard Group assets and to ensure the integrity of financial reporting. Among the specific responsibilities, the Audit and Risk Management Committee reviews and advises the Board on all published financial accounts of the Group that require Board approval; changes in accounting policies and practices; the appointment, independence and remuneration of the external auditors; the adequacy of existing external and internal audit arrangements (including the scope and quality of audits); the internal controls, policies and procedures which the Group uses to identify and manage business risks; and the policies and procedures for ensuring compliance with relevant regulatory and legal requirements. The Audit and Risk Management Committee has authority to seek independent advice at the cost of the Group and to seek any information or documents it requires from any Group employee. The Managing Director, the Chief Financial Officer, the General Counsel/Company Secretary, the external auditors and any other persons considered appropriate may attend meetings or part thereof of the Audit and Risk Management Committee by invitation. The Committee also meets from time to time with the external auditors independent of management. The Audit and Risk Management Committee met three times during the financial year.	Yes
4.2	*The audit committee should be structured so that it:* • consists of only non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; and • has at least three members. The members of the Audit and Risk Management Committee during the year were: • Lim Swe Guan (Chairman); • Albert Edward (Ted) Harris; and • Jaginder Singh Pasricha. The Group did not fully comply throughout the year with ASX Recommendation 4.2, as the current chair of the Audit and Risk Management Committee, Lim Swe Guan, was until 18 February 2011 non-independent, as a result of him being a senior executive of the Government of Singapore Investment Corporation Pte Ltd, which is a substantial security holder. Effective from 18 February 2011, Mr Lim has retired from the Government of Singapore Investment Corporation Pte Ltd and is now assessed as independent. Mr Lim provides the Group with access to relevant industry expertise and resources applicable to his role as Chairman of the Audit and Risk Management Committee.	Yes
4.3	*The audit committee should have a formal charter.* The Charter of the Audit and Risk Management Committee, as approved by the Board, is available on the Group's website.	Yes
Principle 5: Make timely and balanced disclosure		**Comply**
5.1	*Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.* The Board has adopted a Market Disclosure Policy, which sets out the key obligations of the Managing Director and General Counsel/Company Secretary to ensure that the Group complies with its disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001* (Cth), which is available on the Group's website.	Yes
Principle 6: Respect the rights of shareholders		**Comply**
6.1	*Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.* The Board has adopted a Shareholder Communication Policy, which is available on the Group's website. The Group places considerable importance on effective communications with security holders. The Group posts all reports, Australian Stock Exchange announcements, media releases, copies of significant business presentations, speeches, policies and Group information in accordance with the ASX Principles on the Group's website.	Yes

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Principle 7: Recognise and manage risk — **Comply**

7.1 *Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.* — Yes

The Board has adopted a Risk Management Policy and the Audit and Risk Management Committee Charter includes a section dealing with the monitoring and oversight of risk, both of which are available on the Group's website.

The Board retains the ultimate responsibility for overseeing the establishment, maintenance and assessment of systems for risk management and internal control and compliance. There are a number of Committees which assist the Board in relation to the identification and management of risk.

7.2 *The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.* — Yes

Management has designed a register of the Group's material business risks. This register is reviewed and updated by management on an ongoing basis, as a mechanism to identify and monitor material business risks and the implementation of risk management procedures. The updated risk register is presented to the Audit and Risk Management Committee annually.

The Audit and Risk Management Committee also oversees the scope of the internal audit function. The Board has expanded the role of the external auditors to cover additional areas usually considered internal audit (Internal Auditors). In their role as Internal Auditors, the external auditors provide reports to the Audit and Risk Management Committee on the effectiveness of the risk based control framework within the Group and analyses and evaluates the effectiveness of the appropriate systems.

The Audit and Risk Management Committee meets independently of management with the Auditors about any significant difficulties encountered including restrictions, if any, on scope of work, access to required information or any other matters that the Committee deems appropriate. Both the Audit and Risk Management and OH&S and Environmental Committees receive reports from the external independent auditors and the independent risk consultants respectively, who analyse and evaluate the effectiveness of the appropriate systems.

In addition to these measures, the Board uses various systems and controls to identify and manage business risks, including:

- an established and well defined corporate and business structure with prescribed authority and expenditure limits;
- the appointment of the parent Company directors to the majority of operating subsidiaries;
- periodic budgeting and reporting systems to ensure constant monitoring of progress against budgets and strategies; monitoring and testing of financial forecasts;
- formal Board approval of all material capital expenditure, asset disposal and acquisition proposals;
- reports to the Board on procedures for management of financial risk, including treasury operations, interest rate movements, loan facilities and financial instruments;
- formal due diligence procedure for the disposal and acquisition of material property assets including the use of external specialist professionals;
- a Group regulatory compliance program supported by approved guidelines and standards encompassing crisis management, the environment, occupational health and safety, equal employment opportunity, anti discrimination and harassment, liquor and gaming licences;
- a comprehensive insurance program; and
- review of Group compliance with tax and other governmental duties.

7.3 *The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.* — Yes

The Managing Director and Chief Financial Officer have reported to the Board that the Group's material business risks are being managed effectively.

The board has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly — **Comply**

8.1 *The board should establish a remuneration committee.* — Yes

The Board has established a Remuneration Committee. The Charter of this Committee is available on the Group's website. The main responsibilities of the Remuneration Committee include reviewing and making recommendations on remuneration policies for the Group including, in particular, those governing the directors, the Managing Director and senior management.

The members of the Remuneration Committee during the year were:

- Albert Edward (Ted) Harris (Chairman);
- Lim Swe Guan (retired 23 June 2011);
- Rikhipal Singh Thakral; and
- Hugh Keller (appointed 23 June 2011).

8.2 *Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.* — Yes

The Remuneration Report, contained in the Directors' Report on pages 40 to 42 sets out the remuneration of non-executive directors, the executive director and senior executives. 100% of the remuneration of non-executive directors is fixed and non-executive directors do not participate in any incentive plan.

Remuneration paid to executives in 2011 included fixed and variable components, as details in the Remuneration Report.

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ADDITIONAL CORPORATE GOVERNANCE MEASURES

RETIREMENT AND RE-ELECTION OF DIRECTORS

The Constitution of the Company requires one-third of the directors (other than the Managing Director) to retire from office at each Annual General Meeting. Directors who have been appointed by the Board to a casual vacancy are required to retire from office at the next General Meeting and are not taken into account in determining the number of directors to retire at that Annual General Meeting. Directors cannot hold office for a period in excess of three years or later than the third Annual General Meeting following appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by security holders.

MEETINGS OF THE BOARD AND THEIR CONDUCT

The Board meets formally approximately eight times a year and on other occasions, as required. The Chairman of the Board meetings sets the agenda for each meeting in conjunction with the Managing Director and Company Secretary. Senior management attends and makes presentations at Board meetings as considered appropriate and are available for questioning by Directors. Any Director may request additional matters be added to the agenda. Copies of Board papers are circulated in advance of the meetings. Directors are entitled to request additional information where they consider the information is necessary to support informed decision-making. The Board works to an annual agenda encompassing periodic reviews of the Group's operating business units, recurring statutory obligations, business approvals and other responsibilities identified in the Board Charter. The number of meetings attended by each of the directors for the financial year is set out in the Directors' Report on page 38 of this report.

BOARD ACCESS TO INFORMATION AND INDEPENDENT ADVICE

The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties. Each director may, with the prior written approval of either Chairman, obtain independent professional advice to assist the director in the proper exercise of powers and discharge of duties as a director or as a member of a Board Committee. The Group will reimburse the director for the reasonable expense of obtaining that advice.

COMMITTEES OF THE BOARD

Four standing Board Committees assist the Board in the discharge of its responsibilities. These are:

- the Remuneration Committee;
- the Nomination Committee;
- the Audit and Risk Management Committee; and
- the Occupational Health & Safety and Environmental Committee.

These Committees review matters on behalf of the Board and make recommendations for consideration by the entire Board. The roles and responsibilities of the Committees are documented in the Committees' Charters, reviewed by the Board and are available on the Group's website.

In addition, the Board and Committees may appoint certain Directors to act on a sub-committee to approve or investigate issues on behalf of the Board.

AUDIT GOVERNANCE AND INDEPENDENCE

The Group's current external auditors are KPMG, who were appointed in May 1994 and whose independence is regularly reviewed by the Board. In addition section 307C of the *Corporations Act 2001* requires that auditors provide a declaration of their independence. This is set out on page 44 of this report. Such a declaration was provided to the Audit and Risk Management Committee for the financial year. KPMG require that the lead audit partner be changed every five years in accordance with CLERP 9.

APPOINTMENT AND ROTATION

The Audit and Risk Management Committee is responsible for making recommendations to the Board as to the re-appointment or replacement of the auditor and the rotation of the lead audit partner. The audit partner is rotated every five years.

ATTENDANCE OF EXTERNAL AUDITORS AT THE ANNUAL GENERAL MEETING

KPMG attends, and is available to answer questions at, the Group's Annual General Meeting.

OCCUPATIONAL HEALTH & SAFETY AND ENVIRONMENTAL COMMITTEE

The Group's properties and operations are conducted under a wide variety of Occupational Health & Safety (OH&S) and Environmental Protection Acts and Regulations. The Group maintains an OH&S and Environmental Management System and uses its best efforts to ensure its properties and operations comply with all applicable laws.

The Group's properties and operations hold all relevant OH&S and Environmental licences and permits and have implemented monitoring procedures to ensure that they comply with licence and permit conditions. Over the past year there have been no material breaches of any conditions of the Group's licences or permits and the Group did not experience any significant OH&S or Environmental incidents.

Throughout Australia and also in respect of the overseas investments the Group's properties and operations have OH&S and Environmental Risk Management Systems designed to minimise OH&S risks and Environmental pollution and impairment. This program aims to ensure that employees within the Group are fully capable of meeting their OH&S and Environmental responsibilities.

All Australian properties and operations undergo a regular OH&S and Environmental survey and audit. These are conducted internally by senior management or independent property managers and/or annually by the Group's independent risk consultants. Property development projects are carried out in accordance with relevant State Government legislation including development approval and the associated environmental planning requirements. It is the Group's policy that major breaches of all applicable OH&S and Environmental Protection Acts and Regulations are immediately reported to senior management and directors.

The members of the OH&S and Environmental Committee during the year were:

- Jaginder Singh Pasricha (Chairman); and
- Hugh Keller.

GROUP POLICIES

In addition to the continuous disclosure and share trading policies discussed above, the Group has implemented a wide range of policies in accordance with the ASX Corporate Governance Recommendations including those covering the environment, accounting, business development, banking, legal, compliance, human resources and information technology.

The Directors present their report together with the financial report of Thakral Holdings Limited ("THL" or the "Company") and of the consolidated entity, being the Company and its controlled entities (the "Group"), for the year ended 30 June 2011 and the auditor's report thereon.

DIRECTORS

The following persons were Directors of the Board during the financial year and up to the date of this report:

Albert Edward (Ted) Harris (Joint Chairman)
Kartar Singh Thakral (Joint Chairman)
John Stewart Hudson (Managing Director)
Hugh Douglas Hilton Keller
Inderbethal Singh Thakral
Jaginder Singh Pasricha
Lim Swe Guan
Rikhipal Singh Thakral

DIRECTORS' EXPERIENCE, QUALIFICATIONS AND SPECIAL RESPONSIBILITIES

Albert Edward (Ted) Harris
AC AO F.Inst.D FAIM FAICD
Joint Chairman, Non-Executive Director

Mr. Harris served as Managing Director and Chief Executive Officer of the Ampol Group for a period of 10 years. He was formerly Chairman of Australian Airlines, British Aerospace Australia, the Gazal Corporation, Australian National Industries, Deputy Chairman of Metcash Limited and a director of a number of public companies. Currently Mr. Harris is Deputy Chairman of APN News & Media Limited, Chairman of the Australian Radio Network and President of St. Vincent's Clinic Foundation. He is a Life Governor of the Melanoma Foundation, a Life Member of the Australian Sports Commission and a former chairman of the Zoological Parks Board of NSW. He was a member of the Executive Board of the Sydney Olympics 2000 Bid Committee. Appointed March 1994 and appointed Joint Chairman in May 1996.

Kartar Singh Thakral
Joint Chairman, Non-Executive Director

Mr Kartar Singh Thakral is a Joint Chairman of the Company. He is Chairman of the Thakral Family companies and Thakral Corporation Limited, a company listed on the Singapore Stock Exchange. Mr Thakral was a director of the Singapore Trade Development Board, appointed by the Minister of Trade and Industry, for a period of four years, until 31 December 1998. He is a trustee of the Singapore Sikh Education Foundation, Sir Guru Nanak Sat Sang Sabha and a Patron of the Singapore Khalsa Association and the Singapore Sikh Welfare Council. Mr Thakral is the Vice Chairman and Founder member of Nishan-E-Sikhi Charitable Trust, India and was a trustee of the Singapore Indian Development Association from 1991 until 31 December 2006. Appointed March 1994 and appointed Joint Chairman May 1996.

John Stewart Hudson
FCA, FRICS
Managing Director

Mr Hudson joined Thakral Holdings Limited in 1997. A Chartered Accountant with over 30 years in public company finance and management, Mr Hudson has worked in the property industry for over 25 years with both developers and property owners. He is currently on the advisory Board of the Tourism & Transport Forum and the Committee for Sydney. He is a former Trustee of Hostplus, the industry superannuation fund for the hospitality industry. Appointed May 2002.

Hugh Douglas Hilton Keller
LLB
Non-Executive Director

Hugh Keller was until 30 June 2010 a partner of Blake Dawson Lawyers, and worked as a lawyer at that firm for over 40 years, during which time he advised numerous Australian and overseas corporations and served terms as Sydney office managing partner and joint national managing partner.

Mr Keller is a non-executive director of L J Hooker Limited, the non-executive chairman of a large proprietary investment company and a non-executive director of a not for profit charity. Appointed 4 March 2010.

Inderbethal Singh Thakral
Non-Executive Director

Mr Thakral has been conducting business in Asia, especially Hong Kong, China and Japan, for over 29 years. He is currently the Managing Director of Thakral Corporation Limited (TCL) and also oversees the Thakral family's investments jointly with the Chairman. Appointed February 2004.

Jaginder Singh Pasricha
LLM
Non-Executive Director

Mr Pasricha, a lawyer by training, has extensive experience in corporate structuring, tax planning, mergers and acquisitions, company listings, international cross border transactions, debt restructuring, provision of capital for property development projects, joint ventures and negotiating and executing complex transactions in Australia and Asia.

Mr Pasricha is Managing Director, Real Estate and Corporate of Thakral Corporation Limited, a company listed on Singapore Exchange Limited ("SGX"). He is also non-executive director of Jacks International Limited, listed on the SGX, a subsidiary of Johan Holdings Berhad, listed on Bursa Securities Malaysia. Appointed October 1993.

Lim Swe Guan
Non-Executive Director

Mr Lim is a resident of Singapore and was, until 18 February 2011, a Managing Director of Government of Singapore Investment Commission and the Global Head of Listed and Unlisted Real Estate Companies and Trusts for GIC Real Estate. Mr Lim is a director of GPT Management Holdings Limited and Suncity Berhad, Malaysia and an alternate director of Global Logistic Properties Ltd, Singapore. Mr Lim was appointed the Chairman of the Audit & Risk Management Committee of the Company in January 2010. Appointed February 2004.

Rikhipal Singh Thakral
Ph.D in Humanity (Hon)
Non-Executive Director

Rikhi Thakral has been an Executive Director of the Thakral Family Companies since 1979. He oversees the Thakral family property portfolio and manages the business operations in Indo-China countries, namely Vietnam, Myanmar, Cambodia and Laos.

He has been devoting significant time towards humanitarian work for over 25 years. In recognition of his relentless work in the field of education and support to the underprivileged, physically and mentally challenged children throughout Indo-China countries, he has been honoured with several prestigious awards, notably:

April 2011	"Medal of Friendship" by H.E. President of Vietnam
Nov 2009	"Cross of Development Medal" by H.E.Prime Minister of Lao People's Democratic Republic
July 2009	"Medal of MOLISA" from Ministry of Labour, Invalids and Social Affairs, Vietnam
Nov 2008	"Grand Cross of the Royal Order of Monisaraphon" by H. E. King of Cambodia
July 2008	"Badge of Ho Chi Minh City", an Honorary Citizenship Awarded by People's Committee of Ho Chi Minh City, Vietnam
July 2004	"Honorary Doctorate in Humanity" from University of Cambodia

Appointed October 1996.

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COMPANY SECRETARY AND GENERAL COUNSEL

Andrew Crawford Horne
B.Leg.S Solicitor FCIS MAICD

Mr Horne was appointed as Company Secretary and General Counsel to Thakral Holdings Limited and its controlled entities on 22 April 1994. He has 26 years experience in commercial and corporate law, litigation, acquisitions and sales, corporate administration, corporate governance, compliance and risk management in large publicly listed companies. Mr Horne holds a Bachelor of Legal Studies and a Graduate Diploma in Company Secretarial Practice. He is admitted to practice as a solicitor of the Supreme Court of NSW, is a Member of the Australian Institute of Company Directors, a Fellow of the Chartered Secretaries of Australia. In January 2010 he was appointed Non Executive Director of Chartered Secretaries Australia Limited and a member of the CSA National Council. He is also Chairman of the NSW CSA State Council, a regular presenter at CSA training events and a member of the Subject Advisory Committee for the Corporate Accountability Meetings and Disclosure Module of the CSA Graduate Diploma in Applied Corporate Governance.

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Anthony Francis Story
B. Bus CA

Mr Story was appointed as joint Company Secretary to Thakral Holdings Limited and its controlled entities on 3 May 2007. Mr Story is a Chartered Accountant and has over 30 years experience in various financial roles. He joined the group in 1996 and was appointed the Group's Chief Financial Officer in 2002.

DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

			Meetings of Board Committees			
	Board Meeting		Audit and Risk Management Committee		Remuneration, Nomination and Other Committees	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Executive Director						
JS Hudson	10	10	3[1]	3[1]	10[2]	10[2]
Non Executive Directors						
AE Harris	10	10	3	3	8	8
KS Thakral	10	10	–	–	–	–
SG Lim	10	8	3	3	5	5
JS Pasricha	10	10	3	3	7	7
IS Thakral	10	10	1[1]	1[1]	1[1]	1[1]
RS Thakral	10	10	3[1]	3[1]	5[1]	5[1]
HD Keller	10	10	3[1]	3[1]	7[1]	7[1]

Held: indicates the number of meetings held during the period of each Director's tenure.

Attended: indicates the number of those meetings attended by the Director.

(1) Attended at the invitation of the Committee.
(2) Attended twice at the invitation of the Committee.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were investment in hotel, retail, commercial and residential properties; management of retail centres and commercial properties; and development and sale of land and buildings.

REVIEW AND RESULTS OF OPERATIONS

Profit before income tax, impairments and unrealised adjustments was $10.2 million, up significantly on the previous year's loss of $5.2 million. The Group recorded a loss attributable to security holders calculated in accordance with Australian Accounting Standards of $21.0 million (2010: profit of $10.6 million). This was largely due to unrealised investment property devaluations and inventory impairments. Total comprehensive income (TCI) for the current year was $35.3 million (2010: $83.1 million). Basic earnings per stapled security was a loss of 3.6 cents (2010: profit 1.8 cents) and TCI per stapled security was 6.0 cents (2010: 14.2 cents). Changes in the fair value of investment properties have a substantial impact on the statutory result whilst changes in fair value of hotels are not reflected in the statutory result but are recognised in the TCI. During the year the Group sold Novotel Melbourne on Collins and Australia on Collins retail shopping centre for $204 million for a net book profit of $1.4 million.

HOTEL

The Hotel division performed strongly over the year with profit up 14% to $66.4 million from $58.4 million and revenue increasing by 8.4% to $204.6 million. Conferencing and Corporate segments were significantly stronger on last year. The Group's hotels average room rate increased 6% to $183 in comparison to $172 last year while occupancy at 73% improved slightly on last year. Portfolio revenue per available room grew 7% to $133.

RETAIL AND COMMERCIAL

The Group's Retail and Commercial division achieved a profit of $21.7 million, up 1.4% on the prior year. This is a satisfactory result given the generally weak retail market.

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

PROPERTY DEVELOPMENT

The Property Development division reported a loss of $2.9 million (before inventory impairment), compared to a profit of $3.7 million last year. No major projects were completed during the year whilst holding costs have been expensed on all dormant projects. An assessment of all development inventory carrying values has been undertaken, and due to weak regional conditions on the Gold Coast and in Far North Queensland resulted in an impairment charge of $24.4 million.

CHANGES IN THE FAIR VALUE OF RETAIL & COMMERCIAL (INVESTMENT PROPERTIES) AND HOTELS (PROPERTY, PLANT AND EQUIPMENT)

An independent professional appraiser values the Group's property portfolio on a property-by-property basis at least once a year. The Group recognises its Retail & Commercial and Hotel properties at fair value. The combined market value of its properties is reported on the balance sheet with the exception of operating leasehold land which cannot be recognised under the accounting standards. Any changes in the fair value through net fair value gains or losses on investment properties are detailed in the statement of comprehensive income under 'net profit' whilst the movement in the fair value of Hotels – property, plant and equipment are detailed in the statement of comprehensive income under 'other comprehensive income'. The treatment is in accordance with the current accounting standards.

For the year ending 30 June 2011, the fair value change of Hotels (property, plant and equipment) recognised in 'other comprehensive income' was an increase of $54.2 million (2010: $68.1 million) and the fair value change of investment properties was a devaluation of $8.9 million (2010: gain of $17.9 million).

REVIEW OF THE GROUP'S FINANCIAL CONDITION

CAPITAL STRUCTURE AND TREASURY POLICY

Total assets at the end of the year stood at $1.1 billion and liabilities totalled $539 million. Net assets were $545.1 million. The Group had net debt at 30 June 2011 of $418.8 million (2010:$615.2 million) with gearing reduced from 48.8% at 30 June 2010 to 38.2% at 30 June 2011.

The Group's adjusted net tangible assets backing per security was 97 cents (2010: 99 cents).

Treasury policy is to manage financial risks that arise in relation to underlying business needs. The activities of the treasury function are carried out in accordance with Board approved policies. The treasury function does not operate as a profit centre. Treasury seeks to reduce the financial risk of the Group and ensures that there is sufficient liquidity to meet all foreseeable cash needs. One of the primary objectives of the treasury risk management policy is to mitigate the adverse impact of movements in interest rates.

The Group enters into interest rate swaps to manage cash flow risks associated with the interest rates on borrowings that are floating. Maturities of swap interest rates are principally between less than 1 year and 3 years. At 30 June 2011, 82% of borrowings were hedged using interest rate swap contracts.

LIQUIDITY AND FUNDING

The Group is reliant on syndicated bank facility funding to support the Group's investment objectives. During the year, the Group negotiated revised terms and conditions of the Syndicated Facility Agreement .The syndicate comprises of Commonwealth Bank of Australia, HSBC Australia, Westpac Banking Corporation and ING Bank N.V. (Sydney Branch). The revised terms included reduced pricing (subject to gearing levels), an amendment to the amortisation requirement and a change to certain financial covenants. Refer Note 17 of the financial report. The syndicated banking facility is secured by the portfolio of Hotel and Retail and Commercial properties; and certain development projects of the Group. In addition, the Group has a ¥2.7 billion yen non-recourse facility against its Japan properties and further facilities totalling $24.5 million secured against development projects.

CAPITAL EXPENDITURE AND CASH FLOW

The net movement in cash and cash equivalents in the 12 months to 30 June 2011 was an outflow of $2.9 million. This included a cash inflow from operations of $61.3 million, and a net cash outflow from investing and financing activities of $64 million including $206.9 million of repayment of debt.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the year other than those disclosed in the Operating and Financial Review.

DISTRIBUTIONS

Distributions paid or declared by the Group to security holders for the financial year were:

	Payment per stapled security cents	Total amount $'000	Date of payment
Interim 2011	–	–	–
Final 2011	10.00	58,536	31 Aug 2011

Refer Note 20 Distributions for further details.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

LIKELY DEVELOPMENTS

Information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

DIRECTORS' INTERESTS

The relevant interest of each director in the stapled securities issued by the Group, as notified by the directors to the Australian Security Exchange in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

	Fully Paid Stapled Securities
KS Thakral, IS Thakral and RS Thakral (In common)	246,520,069
RS Thakral (Direct)	2,400,000
AE Harris	320,000
JS Hudson	183,011
JS Pasricha	226,092
HD Keller	100,000

In addition, Mr Kartar Singh Thakral, Mr Rikhipal Singh Thakral and Mr Inderbethal Singh Thakral have a relevant interest in 40,000,000 partly paid stapled securities. Refer Note 28 Key Management Personnel Disclosures for details.

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REMUNERATION REPORT – AUDITED

OVERVIEW

This report outlines the Group's director and executive remuneration arrangements and covers both Key Management Personnel ("KMP") and the five highest paid executives. The remuneration and other related party disclosures included in this Remuneration Report were prepared in accordance with AASB 124 "Related Party Disclosures".

The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration policies and packages applicable to the senior executives, employees and Directors themselves. Fees paid to directors are based on the size and complexity of the Group, and the responsibilities and workload requirements of Board members. The Group's executive remuneration policy is to ensure that remuneration packages properly reflect the executives' duties and responsibilities; and that remuneration is competitive in attracting, retaining, and motivating people of the highest quality. Senior executives may receive bonuses based on the achievement of specific goals related to the performance of the Group.

FIXED REMUNERATION

The level of fixed remuneration is set so as to provide a base level of remuneration which the Board considers is both appropriate to the position and is competitive in the market. Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation.

Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers the individual's, the division's and Group's performance as well as comparable positions. The Remuneration Committee has access to external advice independent of management to compare market remuneration. In 2009, senior executives took a voluntary 10% cut in base salary for 12 months. Salaries were restored in March 2010.

PERFORMANCE LINKED REMUNERATION – SHORT TERM INCENTIVE BONUS

The Managing Director and senior executives may receive bonuses based on the achievement of specific performance hurdles. The scheme has been set up so that senior executives are only rewarded if the performance of the Group has improved for security holders.

A minimum bonus pool of $200,000 is paid if the Group returns a 5% increase in adjusted profit on the previous year and positive EPS growth. The profit is adjusted to remove any unrealised movement in the fair value of investment properties and increased depreciation arising from the increased valuations of the Group's hotel properties. Property development profit is also adjusted to average over three years in an effort to remove the "lumpy" nature of these profits. The pool increases as the percentage increases over the previous year's profit. The pool is capped at $1,000,000.

The Remuneration Committee recommends the cash incentive to be paid to the senior executives for approval by the Board. The bonus is usually paid in September, however it is provided for in the financial reports for the year to which it relates. The Board considers that the above performance-linked remuneration structure is generating the desired outcome. This is evident by the retention of senior executives and the performance of the Group. No bonuses were paid or payable for the year ending 30 June 2011.

PERFORMANCE LINKED REMUNERATION – LONG TERM INCENTIVE SCHEME (LTIS)

Share-based payments

The key objectives of the LTIS are to:

- Align executives with long term interests of shareholders;
- Reward executives primarily for results;
- Attract and retain high calibre individuals; and
- Be simple and flexible.

Long term incentive awards are delivered through the granting of performance share rights over the Group's stapled securities in accordance with the terms of LTIS which were approved by the security holders at the 2007 Annual General Meeting.

The vesting of performance rights under the LTIS is linked directly to overall Group financial performance measured by Earnings Per Security (EPS) growth and Total Security-Holder Return (TSR) growth.

The EPS measure used for the LTIS is basic EPS adjusted for certain significant items being net gain from fair value adjustment of investment properties, development properties, and depreciation of hotel property, plant and equipment.

EPS is used as it is a key indicator of Group's financial performance and long-term security holder wealth creation. The target is compound annual growth in EPS over three years of 10%.

TSR is a market accepted relative measure and the Board considers this to be a fair reflection of the overall wealth created for security holders. The LTIS measures TSR relative to the ASX S&P 200 Property Trust Accumulation Index which is calculated by an independent third party.

The Board has final accountability for the determination of performance relative to targets, independently from management.

The LTIS provides for equity grants under the following terms:

Structure of grant	Performance rights – right to acquire Thakral Holdings Group securities at nil cost to participants when certain performance conditions are met.	
Measurement period	Three years commencing from grant date.	
Re-testing	No re-testing of performance: to the extent targets are not achieved, rights lapse except at the discretion of the Board.	
Service condition	If a participant resigns from the Group prior to the end of the vesting period, the rights lapse, unless the Board exercises its discretion to allow vesting in certain circumstances.	
EPS vesting	**EPS growth**	**Proportion of EPS related performance rights Vesting**
Target being minimum compound annual growth averaged over 3 years	Below 5%	Nil
	Equal to 5%	25%
	Greater than 5% but below 10%	Between 25% and 50%. Calculated on a pro-rate basis according to actual growth between 5% and 10%
	10% or more	50%
TSR vesting	**TSR growth**	**Proportion of TSR related performance rights Vesting**
Target being the ASX S&P 200 Property Accumulation Index (Comparator group) exclusive of Thakral over the three year measurement period	Less than TSR of comparator group	Nil
	Equal to TSR of comparator group	25%
	Exceeds TSR of comparator group by up to 5%	Between 25% and 50%. Calculated on a pro-rate basis according to excess over 5%
	Exceeds TSR of comparator group by more than 5%	50%
Accounting treatment	Recognised as an equity settled share based payment. The fair value is determined as at the grant date and is expensed on a straight line basis over the vesting period.	

REMUNERATION REPORT – AUDITED (CONTINUED)

The following assumptions were used in determining the fair value for grants issued under Tranche 1 (2008 year):

	John Hudson		Other Executives(1)	
Performance condition	EPS	TSR	EPS	TSR
Fair value per right	$0.89	$0.51	$0.71	$0.44
Number granted	125,000	125,000	192,500(1)	192,500(1)
Grant date	29/11/2007		28/03/2008	
Share price at grant date	$1.09		$0.86	
Exercise price	Nil		Nil	
Vesting date	01/01/2011		28/03/2011	
Expected life	3 years		3 years	
Award value as at grant date	$175,000		$221,375(2)	

(1) Anthony Story 130,000, Andrew Horne 85,000, Laurie Whittome 85,000, Wayne Munn 85,000.

(2) Anthony Story $74,750 Andrew Horne $48,875, Laurie Whittome $48,875, Wayne Munn $48,875.

The following assumptions were used in determining the fair value for grants issued under Tranche 2 (2009 year):

	John Hudson		Other Executives(1)	
Performance condition	EPS	TSR	EPS	TSR
Fair value per right	$0.41	$0.25	$0.67	$0.45
Number granted	125,000	125,000	277,500(1)	277,500(1)
Grant date	30/10/2008		1/07/2008	
Share price at grant date	$0.54		$0.85	
Exercise price	Nil		Nil	
Vesting date	30/10/2011		1/07/2011	
Expected life	3 years		3 years	
Award value as at grant date	$82,500		$310,800(2)	

(1) Anthony Story 150,000, Jeff Kahler 150,000, Andrew Horne 85,000, Laurie Whittome 85,000, Wayne Munn 85,000.

(2) Anthony Story $84,000, Jeff Kahler $84,000, Andrew Horne $47,600, Laurie Whittome $47,600, Wayne Munn $47,600.

As a result of the Group's performance over the period, the TSR portion of Tranche 1 of LTIs awarded in the financial years of 2008-2011 ($148,452) vested on 1 January 2011 whilst the EPS portion did not vest and have lapsed.

No performance rights were issued in 2010 or 2011.

SERVICE CONTRACTS

The Managing Director, Mr John Hudson, is employed under contract. Mr Hudson has a 12 month notice period on termination of his employment contract and an 18 month bona fide redundancy notice period. The Company may terminate the contract at anytime without notice if serious misconduct has occurred. All other executives have a 4 to 12 weeks notice period.

NON EXECUTIVE DIRECTOR REMUNERATION

The total fees payable to the Board are proposed to shareholders at Annual General Meetings for approval as required. Total remuneration for all non executive Directors, which was last voted upon by security holders at the 2007 AGM, is not to exceed $1,100,000 per annum excluding retirement benefit. The Joint Chairmen and the Audit and Risk Management Committee Chairman receive additional fees recognising the additional time commitment required for these roles. Non-executive Directors do not receive any performance related remuneration. In 2009 the Directors agreed to a 10% cut to their fees for 12 months, which ended on 1 March 2010.

The Thakral Holdings Limited Non Executive Directors' Retirement Plan was established in March 1995 to provide certain benefits to non executive Directors. The retirement benefit is three times the fee payable to the director in the last year of service, subject to that amount not exceeding the total amount of fees paid to the director in the last three years of service. Any payment of the benefit is at the discretion of the Board and is subject to approval by the Board at the time the payment is due. The amounts payable under the Plan do not exceed the limitations contained in Section 2006 (2) of the *Corporations Act 2001*. The Board has agreed to cap the benefits under the plan in November 2007 at the level then payable. Refer Note 24 Employee and Director Benefits.

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REMUNERATION REPORT – AUDITED (CONTINUED)

Details of the nature and the amount of each major element of the remuneration of each key management personnel (KMP) of the Group are set out below.

		Short-Term Benefits					Post-Employment Benefits	Long-Term Benefits	Long-Term Incentives	Termination Benefits[5]	Other Benefits[6]	
		Salary and Fees[1]	Cash Bonus[2]	Proportion of Remuneration Performance Related	Non-Monetary Benefits[3]	Total Short-Term Benefit	Super-annuation	Long Service Leave	Share-Based Payment[4]			Total
Name	**Year**	**$**	**$**	**%**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-executive Directors												
AE Harris (Joint Chairman)	**2011**	**208,438**	**–**	**–**	**–**	**208,438**	**–**	**–**	**–**	**–**	**–**	**208,438**
	2010	186,667	–	–	–	186,667	–	–	–	–	–	186,667
KS Thakral (Joint Chairman)	**2011**	**150,000**	**–**	**–**	**–**	**150,000**	**–**	**–**	**–**	**–**	**–**	**150,000**
	2010	140,000	–	–	–	140,000	–	–	–	–	–	140,000
SG Lim	**2011**	**114,679**	**–**	**–**	**–**	**114,679**	**10,321**	**–**	**–**	**–**	**–**	**125,000**
	2010	92,046	–	–	–	92,046	8,284	–	–	–	–	100,330
JS Pasricha	**2011**	**100,917**	**–**	**–**	**–**	**100,917**	**9,083**	**–**	**–**	**–**	**–**	**110,000**
	2010	94,083	–	–	–	94,083	8,467	–	–	–	–	102,550
IS Thakral	**2011**	**82,569**	**–**	**–**	**–**	**82,569**	**7,431**	**–**	**–**	**–**	**–**	**90,000**
	2010	74,443	–	–	–	74,443	6,700	–	–	–	–	81,143
RS Thakral	**2011**	**119,547**	**–**	**–**	**–**	**119,547**	**10,759**	**–**	**–**	**–**	**–**	**130,306**
	2010	107,448	–	–	–	107,448	9,670	–	–	–	–	117,118
HD Keller[7]	**2011**	**93,955**	**–**	**–**	**–**	**93,955**	**8,456**	**–**	**–**	**–**	**–**	**102,411**
	2010	29,522	–	–	–	29,522	657	–	–	–	–	30,179
PJ McGovern[5]	**2011**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2010	48,271	–	–	–	48,271	4,344	–	–	388,776	–	441,391
Sub total Non-executive Directors	**2011**	**870,105**	**–**	**–**	**–**	**870,105**	**46,050**	**–**	**–**	**–**	**–**	**916,155**
	2010	772,480	–	–	–	772,480	38,122	–	–	388,776	–	1,199,378
Executive Director												
JS Hudson (CEO and Managing Director)	**2011**	**785,385**	**–**	**–**	**9,471**	**794,856**	**15,199**	**27,222**	**20,816**	**–**	**14,252**	**872,345**
	2010	675,618	–	–	5,430	681,048	14,461	(13,215)	31,045	–	12,514	725,853
Other KMP												
AC Horne (Group Company Secretary/General Counsel)	**2011**	**294,019**	**–**	**–**	**3,587**	**297,606**	**15,199**	**6,189**	**11,009**	**–**	**6,393**	**336,396**
	2010	269,469	–	–	3,730	273,199	14,461	(20,552)	12,614	–	5,702	285,424
AF Story (Chief Financial Officer & Joint Company Secretary)	**2011**	**428,406**	**–**	**–**	**3,449**	**431,855**	**15,199**	**17,942**	**18,339**	**–**	**4,447**	**487,782**
	2010	349,244	–	–	3,462	352,706	14,461	6,438	20,794	–	3,689	398,088
J Kahler (General Manager Retail & Commercial and Property Development)	**2011**	**599,158**	**–**	**–**	**975**	**600,133**	**15,199**	**–**	**11,260**	**–**	**4,917**	**631,509**
	2010	583,070	–	–	1,000	584,070	14,461	–	11,260	–	4,416	614,207
L Whittome (Joint General Manager Hotels)	**2011**	**273,121**	**–**	**–**	**441**	**273,562**	**15,199**	**10,728**	**11,009**	**–**	**3,927**	**314,425**
	2010	238,760	–	–	–	238,760	14,461	4,104	12,614	–	3,345	273,284
W Munn (Joint General Manager Hotels)	**2011**	**281,719**	**–**	**–**	**1,000**	**282,719**	**15,199**	**9,358**	**11,009**	**–**	**7,940**	**326,225**
	2010	220,291	–	–	250	220,541	14,461	4,104	12,614	–	7,600	259,320
Sub total Other KMP	**2011**	**1,876,423**	**–**	**–**	**9,452**	**1,885,875**	**75,995**	**44,217**	**62,626**	**–**	**27,624**	**2,096,337**
	2010	1,660,834	–	–	8,442	1,669,276	72,305	(5,906)	69,896	–	24,752	1,830,323
Total KMP	**2011**	**3,531,913**	**–**	**–**	**18,923**	**3,550,836**	**137,244**	**71,439**	**83,442**	**–**	**41,876**	**3,884,837**
	2010	3,108,932	–	–	13,872	3,122,804	124,888	(19,121)	100,941	388,776	37,266	3,755,554
Others in the category of five highest remunerated executives but who are not KMP												
D. Hogendijk	**2011**	**315,677**	**–**	**–**	**426**	**316,103**	**15,199**	**5,000**	**–**	**–**	**699**	**337,001**
	2010	310,293	–	–	–	310,293	14,461	5,000	–	–	633	330,387

(1) Salary and Fees reflect base salary adjusted for annual leave (i.e. if less than 20 days leave is taken then salary cost increases and visa versa).
(2) Cash bonuses may be granted annually to executives, relating to the current year and are recognised on approval by the Board, before signing the financial report.
(3) Reflects the value of allowances and benefits including but not limited to accommodation, travel, car parking, memberships and FBT payable.
(4) In accordance with the requirements of AASB 2 Share Based Payments, the fair value of rights at the date of granting, is amortised over the vesting period, such that 'total remuneration' includes a portion of the fair value of unvested equity compensation during the year and the effect of reversal of EPS based rights that are not expected to vest.
(5) Mr. McGovern retired as non-executive director at 19 November 2009.
(6) Other benefits comprise life and total and permanent disability insurance premiums.
(7) Mr. Keller was appointed as non-executive director at 4 March 2010.
* Directors' retirement benefits paid are at the discretion of the Board and their cost has been recognised and provided for in a previous period. Disclosure of insurance premiums paid by the Group on behalf of Directors is prohibited under the terms of the insurance contract.

The remuneration and other related party disclosures included in the Remuneration Report have been prepared in compliance with both the *Corporations Act 2001* and AASB 124 "Related Party Disclosures". For the purpose of these disclosures, all the individuals listed above have been determined to be Key Management Personnel, as defined by AASB124. It is important to note that Non-Executive Directors are specifically required to be included as Key Management Personnel. However, the Non-Executive Directors do not consider themselves part of the management team.

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INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company's Constitution provides that every officer and past officer of the Group is indemnified by the Company against a liability for costs and expenses incurred by that person as an officer:

(a) in defending any proceedings, whether civil or criminal, in which judgement is given in favour of the person or in which the person is acquitted; or

(b) in connection with any application in relation to those proceedings in which the Court grants relief to the person under the *Corporations Act 2001*.

Every officer and past officer of the Group is indemnified against a liability incurred by that person as an officer to a person other than Group entities or joint ventures, except a liability which arises from conduct that involves a lack of good faith.

The Company pays the premium on a contract insuring a person who is, or has been, an officer of the Group against:

(a) a liability for costs and expenses incurred by the person in defending proceedings arising out of the person's conduct as an officer, whether civil or criminal and whatever their outcome; and

(b) other liability incurred by the person as an officer of the Group except a liability which arises from conduct that involves a wilful breach of duty in relation to the Group or a contravention of Chapter 2D of the *Corporations Act 2001*.

Officers, who are not named in the insurance contract, include all personnel who are involved in management and administration of the Group. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and officers' liability insurance as such disclosure is prohibited under the terms of the contract.

NON-AUDIT SERVICES AND AUDITOR INDEPENDENCE DECLARATION

During the year KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non audit services provided during the year by the auditor and in accordance with a statement by the auditor provided to the Audit and Risk Management Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor.
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, or jointly sharing risks and rewards.

A copy of the auditor's independence declaration, as required under Section 307C of the Corporations Act, follows immediately after the Directors' report. Details of the amounts paid or payable to the auditor of the Group, KPMG and its related practices for audit and non-audit services provided during the year are set out below.

	Consolidated	
	2011 $	**2010 $**
Audit services		
KPMG Australia:		
Auditing and review of financial reports		
– Current year	**345,000**	469,600
– Prior year	**–**	90,000
Other audit services	**169,090**	80,920
Overseas KPMG Firms:		
Auditing and review of financial reports	**30,992**	51,000
Non-audit related services		
Tax compliance and advice	**299,911**	727,338
	844,993	1,418,858

ROUNDING OFF AMOUNTS

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS

Level 12, 301 George Street Sydney NSW, 2000.

Signed in accordance with a resolution of the Directors:

A E Harris
Chairman

J S Hudson
Managing Director

Dated at Sydney this 25th day of August 2011.

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*

To: the Directors of Thakral Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011, there have been:

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

KPMG

N R Virgo
Partner

Dated at Sydney this 25th day of August 2011.

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SECURITY HOLDINGS

SUBSTANTIAL SECURITY HOLDINGS

The number of securities held by the substantial security holders listed in the Company's register of substantial security holders in accordance with Notices lodged with the Company as at 22 August 2011 were:

Security holders – Fully paid ordinary securities	Securities	Percentage of total
Replay Investments Pty Limited and Associates	248,920,069	42.5%
Government of Singapore Investment Corporation Pte Ltd	81,130,460	13.9%
Orbis Investment Management	64,244,290	11.0%

Security holders – Partly paid ordinary securities		
Replay Investments Pty Limited	40,000,000	100.00%

VOTING RIGHTS

On a show of hands every security holder who is present or by proxy, attorney or representative, shall have one vote and on a poll every security holder who is present in person or by proxy, attorney or representative, shall have one vote for each share held by him/her.

Partly paid shares have proportionate voting entitlements.

DISTRIBUTION OF SECURITY HOLDERS

(AS AT 22 AUGUST 2011)

Category	No. of security holders fully paid ordinary	No. of security holders partly paid ordinary
1 – 1,000	82	
1,001 – 5,000	874	
5,001 – 10,000	524	
10,001 – 100,000	919	
100,001 and over	151	1
Total	2,550	1

The number of security investors holding less than a marketable parcel of 1,042 securities (48¢ on 22 August 2011) is 87 and they hold 55,130 securities.

THAKRAL STAPLED SECURITIES

Investors in the Thakral Holdings Group hold an ordinary share in Thakral Holdings Limited and a non-voting unit in the Thakral Holdings Trust. The share and non-voting unit cannot be traded separately and are quoted on the official list of the Australian Securities Exchange (ASX) as Stapled Securities under the code THG.

INCOME PAYMENTS

An interim distribution from the Thakral Holdings Trust and/or a dividend from Thakral Holdings Limited is normally paid at the end of February or the beginning of March for the half-year ending 31 December and a final distribution and/or a dividend is normally paid at the end of August or the beginning of September for the year ending 30 June. The Record Dates for determining distribution entitlements are on or about 31 December for the half-year and 30 June for the year end.

There are three ways in which these payments can be made:

- direct credit to your Australian bank, building society or credit union account;
- by cheque mailed to your postal address; or
- reinvestment in additional Thakral Stapled Securities under the Distribution and Dividend Reinvestment Plans, subject to availability. The Distribution and Dividend Reinvestment Plans are currently suspended.

Please contact the Securities Registry if you wish to either confirm or vary your current distribution and/or dividend payment arrangements.

TAX STATUS

The distribution payable from the Thakral Holdings Trust currently comprises taxable, capital gains tax and tax-deferred amounts. The taxable amount should be included in security holders' taxable income. No tax is immediately payable on the tax-deferred element. The amount of the tax-deferred element reduces the security holders' cost base for Capital Gains Tax purposes. Tax only arises in respect of the tax deferred element when the units are sold or the cost base of Thakral Holdings Trust units held by each security holder has been reduced to $ nil. Security holders should seek independent taxation advice on the taxation implications of the distributions made by Thakral Holdings Trust. The taxation profile of the Thakral Holdings Trust distributions in the future is not fully known. We will keep you informed when details are known and sufficiently certain.

SECURITIES REGISTRY

If you need information about your Thakral securities please contact the Thakral Securities Registry, Link Market Services Limited, (see Corporate Directory for contact details) including enquiries regarding:

- securities holding – including confirmation of number of securities held and record of transactions;
- amendments to security holder details – including change of name or address, consolidation of separate holdings into one holding, and new distribution/dividend payment instructions; and
- requests for duplicate copies of distribution/dividend advice and annual distribution/dividend statements.

TWENTY LARGEST SECURITY HOLDERS (AS AT 22 AUGUST 2011)

Rank	Name	22 Aug 11	%IC
1	AUST EXECUTOR TRUSTEES LTD	225,964,627	38.63%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	105,966,234	18.12%
3	CITICORP NOMINEES PTY LIMITED	49,323,491	8.43%
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	43,982,594	7.52%
5	NATIONAL NOMINEES LIMITED	34,921,804	5.97%
6	PRESTIGE WEALTH LIMITED	20,555,441	3.51%
7	INDIA INTERNATIONAL INSURANCE PTE LTD	4,127,349	0.71%
8	PARAMJIT SINGH BAJAJ & HARDIP SINGH BAJAJ	2,835,353	0.48%
9	MR WILLIAM GROVE	2,696,229	0.46%
10	NEFCO NOMINEES PTY LTD	2,602,974	0.44%
11	MR RIKHIPAL SINGH THAKRAL & MRS HARMINDER KAUR PASRICHA	2,400,000	0.41%
12	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,317,556	0.40%
13	CHANA SINGHSACHAKUL	2,150,296	0.37%
14	ACCIPITER PTY LTD	1,952,609	0.33%
15	MR CHAN SINGH RATNAKOVIT & MRS NISSI RATNAKOVIT	1,759,139	0.30%
16	HEXACON CONSTRUCTION PTY LTD	1,724,042	0.29%
17	DAVINDER SINGH	1,704,645	0.29%
18	DHILLON KANWALJEET SINGH	1,431,032	0.24%
19	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,047,613	0.18%
20	HILLMORTON CUSTODIANS PTY LTD	1,042,000	0.18%
	TOTAL	**510,505,028**	**87.27%**
	Balance of Register	**74,457,486**	**12.73%**
	Grand TOTAL	**584,962,514**	**100.00%**

The 20 largest security holders as at 22 August 2011 hold 87.27% of the ordinary fully paid stapled securities of the Group, and 100% of the ordinary partly paid stapled securities of the Group.

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CORPORATE DIRECTORY

THE DIRECTORS
Albert Edward (Ted) Harris, AC
Kartar Singh Thakral
John Stewart Hudson
Lim Swe Guan
Hugh Douglas Hilton Keller
Jaginder Singh Pasricha
Rikhipal Singh Thakral
Inderbethal Singh Thakral

GENERAL COUNSEL/COMPANY SECRETARY
Andrew Crawford Horne

WEBSITE
www.thakral.com.au

SECURITIES REGISTRY
Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Locked Bag A14, Sydney South NSW 1235

Free call: 1800 221 227
Outside Aust: +61 2 8280 7147
Fax: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au

SECURITIES EXCHANGE LISTING
ASX Limited
Home Exchange, Sydney
ASX Security Code THG

RESPONSIBLE ENTITY
Sovereign Funds Management Limited (ACN 053 919 065) is the Responsible Entity for Thakral Holdings Trust (ARSN 092 850 827).

REGISTERED OFFICE
Level 12, Thakral House
301 George Street
Sydney NSW 2000
Phone +61 2 9272 8888
Fax +61 2 9272 8799

ANNUAL GENERAL MEETING
The Annual General Meeting of Thakral Holdings Limited will be held at the Menzies Hotel, Carrington Street, Sydney at 11am Monday 21 November 2011.

Notice of Meeting and Explanatory Memorandum and Proxy Voting Form will be posted to all security holders in mid October 2011.

THAKRAL AT A GLANCE

HOTELS/RESORTS

NEW SOUTH WALES
The Menzies, Sydney
Novotel Brighton Beach, Sydney
Novotel Northbeach, Wollongong
Novotel Pacific Bay Resort, Coffs Harbour

VICTORIA
Hilton on the Park, Melbourne

QUEENSLAND
Sofitel Brisbane Central
Sofitel Gold Coast, Broadbeach

RETAIL/COMMERCIAL

NEW SOUTH WALES
Thakral House, Sydney
Wynyard Centre, Sydney
Wynyard Lane Car Park, Sydney
Bayside Plaza, Brighton Beach
Thakral Bayside, Brighton Beach

QUEENSLAND
Oasis Shopping Centre, Broadbeach
Monorail, Broadbeach

JAPAN
Osaka Residential Apartments

PROPERTY DEVELOPMENT

NEW SOUTH WALES
Pacific Bay Resort Residences, Coffs Harbour
Halcyon, Lavender Bay, Sydney
Norwest Site

VICTORIA
18 Clarendon Apartments, Melbourne
Mosspennoch House, Melbourne
Hilton Redevelopment, Melbourne

QUEENSLAND
Trilogy on the Esplanade, Cairns
Argentea, Palm Cove
Alchemy on Broadbeach, Broadbeach
Budds Beach, Gold Coast

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Thakral Holdings Trust

ARSN 092 850 827
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

The Financial Statements of Thakral Holdings Trust are provided because it is legal requirement to issue them. To understand their investment, THG stapled security holders should refer to the full financial report of Thakral Holdings Limited and its controlled entities (Thakral Holdings Group) for the year ended 30 June 2011.

THAKRAL
a wider view on property

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CORPORATE GOVERNANCE

SOVEREIGN FUNDS MANAGEMEND LIMITED AS RESPONSIBLE ENTITY OF THE THAKRAL HOLDINGS TRUST

The following table shows the status of the Responsible Entity's compliance against the ASX Corporate Governance Council's Principles and Recommendations, in accordance with ASX Listing Rule 4.10.

The Board of the Responsible Entity of the Thakral Holdings Trust ("**Board**") endorses effective Corporate Governance practices and oversees a commitment to high standards of legislative compliance and ethical behaviour. The Board is responsible for the management and governance of the Thakral Holdings Trust. The Board continually reviews the Trust's governance practices to ensure that they promote sustainable value for shareholders and address the Trust's responsibilities to all of its stakeholders.

Additional material on the Board's governance practices and policies is posted from time to time on the Trust's website. www.thakral.com.au

Principle 1: Lay solid foundations for management and oversight		**Comply**
1.1	*Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.* The role of the Board is formally set out in the Board Charter. The Board is responsible for ensuring that Thakral Holdings Trust ("Trust") is managed in a manner that protects and enhances the interests of its security holders and takes into account the interests of employees, customers, suppliers, lenders, government and the wider community. The relationship between the Board and management is crucial to the Trust's long term success. The Board is responsible for the strategic direction of the Trust, establishing goals for management and monitoring the achievement of those goals. The Managing Director is responsible to the Board for the day to day management of the Trust. The specific responsibilities of the Board include: oversight of the Trust; appointing and removing the Managing Director; ratifying the appointment and removal of the Company Secretary/General Counsel, the General Managers and the Internal Auditor; assessing management's proposals in regard to corporate strategy; reviewing and ratifying systems of risk management, internal compliance and control, codes of conduct and legal compliance; monitoring senior management's performance and implementation of strategy; approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestments; approving and monitoring financial and other reporting; determining the level of distributions; monitoring OH&S and environmental compliance; monitoring the Trust's relationship with its stakeholders and compliance with ethical standards and the Trust's corporate code of conduct; reviewing and approving the remuneration of the Managing Director and senior management, and planning for Board and management succession. Certain authority is delegated to management to facilitate the effective day to day operations of the Trust. A statement of the authority delegated to management by the Board can be found on the Thakral website.	Yes
1.2	*Companies should disclose the process for evaluating the performance of senior executives.* Evaluation of key executives' performance is conducted annually by the Managing Director. This evaluation includes assessment of the respective executive's performance against business and personal objectives agreed at the beginning of the year. The results of this evaluation are also reviewed by the Remuneration Committee. The Managing Director also monitors executive performance throughout the year through regular meetings where progress towards achieving the set objectives is discussed.	Yes

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Principle 2: Structure the board to add value		
2.1	*A majority of the board should be independent directors.* The Board currently comprises seven non executive directors and the Managing Director. Details of the background, experience and professional skills of the directors are set out on pages 7 to 9. The composition of the Board is determined using the following principles: ▪ A maximum of nine directors, and a minimum of three directors; and ▪ A focus on skills and expertise most appropriate for the Trust's objectives. The Trust does not comply with ASX Recommendation 2.1 which recommends that the Board have a majority of independent directors. Messrs Kartar Singh Thakral, Rikhipal Singh Thakral and Inderbethal Singh Thakral are assessed as non-independent as a result of being associated with various Thakral family and other related entities which together are substantial security holders. Also Mr Lim Swe Guan was until 18 February 2011 a senior executive of the Government of Singapore Investment Corporation Pte Ltd, which is also a substantial security holder. From this date, Mr Lim Swe Guan is considered independent. The Managing director is classified as non-independent. Each of these directors provides the Company with access to expertise and resources relevant to our business. The independent Directors throughout the year were Joint Chairman of the board, Albert Edward (Ted) Harris, Hugh Keller and Jaginder Singh Pasricha. The Board considers that the interests of the Trust are best served by appointing directors with the relevant skills and expertise to enhance the Trust's performance. The Board believes that each director brings an independent, objective judgement to the deliberations of the Board. On 30 October 2003, the Board appointed the Audit and Risk Management Committee as the Compliance Committee under the Trust Compliance Plan.	No
2.2	*The chair should be an independent director.* There are currently two Joint Chairmen of the Trust. These are Albert Edward (Ted) Harris, who is independent and Kartar Singh Thakral, who is not assessed as independent. Mr Thakral's appointment is seen as a reflection of his significant experience and industry knowledge. Mr Harris chairs all board and Annual meetings.	Yes
2.3	*The roles of chair and chief executive officer should not be exercised by the same individual.* The Trust's current Chief Executive Officer and Managing Director is John Hudson.	Yes
2.4	*The board should establish a nomination committee.* The Board has established a nomination committee, comprised of Albert Edward (Ted) Harris and Kartar Singh Thakral. The Nomination Committee ensures that the Responsible Entity of the Trust employs high-calibre non-executive Directors by providing the Board with recommendations for all appointments to the Board and the position of the Managing Director. The Board has adopted a Charter for the committee, which is available on the Thakral website.	Yes
2.5	*Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.* The Joint Chairmen periodically evaluate the effectiveness of the Board as a whole, and that of the individual directors, compare the performance of the Board with the requirements of its charter, goals and objectives and recommend any improvements to the Board Charter deemed necessary or desired.	Yes
Principle 3: Promote ethical and responsible decision-making		
3.1	*Companies should establish a code of conduct and disclose the code or a summary of the code.* The Trust has a Code of Ethics for directors, senior executives and employees and a Code of Conduct for Directors. These Codes are aimed at ensuring that the highest ethical standards, corporate behaviour and accountability are maintained across the Trust. These Codes are published on the Thakral website.	Yes
3.2	*Companies should establish a policy concerning trading in company securities by directors,*	Yes

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	senior executives and employees and disclose the policy or a summary of that policy. All employees and directors of the Group and its related companies are prohibited by law from trading in the Group's securities or other securities if they are in possession of market sensitive information. Directors of the Company must advise a Company Secretary of their trading in the Group's securities within five days. The Group's securities trading policy is published on the Thakral website.	
Principle 4: Safeguard integrity in financial reporting		
4.1	*The board should establish an audit committee.* The Board has established an Audit and Risk Management Committee, which monitors internal controls, policies and procedures designed to safeguard Trust assets and to ensure the integrity of financial reporting. Among the specific responsibilities, the Audit and Risk Management Committee reviews and advises the Board on all published financial accounts of the Trust that require Board approval; changes in accounting policies and practices; the appointment, independence and remuneration of the external auditors; the adequacy of existing external and internal audit arrangements (including the scope and quality of audits); the internal controls, policies and procedures which the Trust uses to identify and manage business risks; and the policies and procedures for ensuring compliance with relevant regulatory and legal requirements. The Audit and Risk Management Committee has authority to seek independent advice at the cost of the Trust and to seek any information or documents it requires from any Group employee. The Managing Director, the Chief Financial Officer, the General Counsel/Company Secretary, the external auditors and any other persons considered appropriate attend meetings or part thereof of the Audit and Risk Management Committee by invitation. The Committee also meets from time to time with the external auditors independent of management. On 30 October 2003, the Board appointed the Audit and Risk Management Committee as the Compliance Committee under the Trust Compliance Plan. The Audit and Risk Management Committee met three times during the financial year.	Yes
4.2	*The audit committee should be structured so that it:* • *consists of only non-executive directors;* • *consists of a majority of independent directors;* • *is chaired by an independent chair, who is not chair of the board; and* • *has at least three members.* The members of the Audit and Risk Management Committee during the year were: ▪ Lim Swe Guan (Chairman); ▪ Albert Edward (Ted) Harris; and ▪ Jaginder Singh Pasricha. The Trust did not fully comply throughout the year with ASX Recommendation 4.2, as the current chair of the Audit and Risk Management Committee, Lim Swe Guan, was until 18 February 2011 non-independent, as a result of him being a senior executive of the Government of Singapore Investment Corporation Pte Ltd, which is a substantial security holder. Effective from 18 February 2011, Mr Lim has retired from the Government of Singapore Investment Corporation Pte Ltd and is now assessed as independent. Mr Lim provides the Trust with access to relevant industry expertise and resources applicable to his role as Chairman of the Audit and Risk Management Committee.	Yes
4.3	*The audit committee should have a formal charter.* The Charter of the Audit and Risk Management Committee, as approved by the Board, is available on the Thakral website.	Yes
Principle 5: Make timely and balanced disclosure		
5.1	*Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.* The Board has adopted a Market Disclosure Policy, which sets out the key obligations of the Managing Director and General Counsel/Company Secretary to ensure that the Trust complies with its disclosure obligations under the ASX Listing Rules and the Corporations Act 2001 (Cth), which is available on the Thakral website.	Yes

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Principle 6: Respect the rights of shareholders		
6.1	*Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.* The Board has adopted a Shareholder Communication Policy, which is available on the Thakral website. The Trust places considerable importance on effective communications with security holders. The Trust posts all reports, Australian Stock Exchange announcements, media releases, copies of significant business presentations, speeches, policies and Trust information in accordance with the ASX Principles on the Thakral website.	Yes
Principle 7: Recognise and manage risk		
7.1	*Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.* The Board has adopted a Risk Management Policy and the Audit and Risk Management Committee Charter includes a section dealing with the monitoring and oversight of risk, both of which are available on the Thakral website. The Board retains the ultimate responsibility for overseeing the establishment, maintenance and assessment of systems for risk management and internal control and compliance. There are a number of Committees which assist the Board in relation to the identification and management of risk.	Yes
7.2	*The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.* Management has designed a register of the Trust's material business risks. This register is reviewed and updated by management on an ongoing basis, as a mechanism to identify and monitor material business risks and the implementation of risk management procedures. The updated risk register is presented to the Audit and Risk Management Committee annually. The Audit and Risk Management Committee also oversees the scope of the internal audit function. The Board has expanded the role of the external auditors to cover additional areas usually considered internal audit (Internal Auditors). In their role as Internal Auditors, the external auditors provide reports to the Audit and Risk Management Committee on the effectiveness of the risk based control framework within the Trust and analyses and evaluates the effectiveness of the appropriate systems. The Audit and Risk Management Committee meets independently of management with the Auditors about any significant difficulties encountered including restrictions, if any, on scope of work, access to required information or any other matters that the Committee deems appropriate. Both the Audit and Risk Management and OH&S and Environmental Committees receive reports from the external independent auditors and the independent risk consultants respectively, who analyse and evaluate the effectiveness of the appropriate systems. In addition to these measures, the Board uses various systems and controls to identify and manage business risks, including: ▪ an established and well defined corporate and business structure with prescribed authority and expenditure limits; ▪ the appointment of the parent Company directors to the majority of operating subsidiaries; ▪ periodic budgeting and reporting systems to ensure constant monitoring of progress against budgets and strategies; monitoring and testing of financial forecasts; ▪ formal Board approval of all material capital expenditure, asset disposal and acquisition proposals; ▪ reports to the Board on procedures for management of financial risk, including treasury operations, interest rate movements, loan facilities and financial instruments; ▪ formal due diligence procedure for the disposal and acquisition of material property assets including the use of external specialist professionals; ▪ a Trust regulatory compliance program supported by approved guidelines and standards encompassing crisis management, the environment, occupational health and safety, equal employment opportunity, anti discrimination and harassment, liquor and gaming licences;	Yes

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	▪ a comprehensive insurance program; and ▪ review of Trust compliance with tax and other governmental duties.	
7.3	*The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.* The Managing Director and Chief Financial Officer have reported to the Board that the Trust's material business risks are being managed effectively. The board has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
Principle 8: Remunerate fairly and responsibly		
8.1	*The board should establish a remuneration committee.* The Board has established a Remuneration Committee. The Charter of this Committee is available on the Thakral website. The main responsibilities of the Remuneration Committee include reviewing and making recommendations on remuneration policies for the Trust including, in particular, those governing the directors, the Managing Director and senior management. The members of the Remuneration Committee during the year were: ▪ Albert Edward (Ted) Harris (Chairman); ▪ Lim Swe Guan (retired 23 June 2011); ▪ Rikhipal Singh Thakral; and ▪ Hugh Keller (appointed 23 June 2011).	Yes
8.2	*Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.* The Remuneration Report, contained in the Directors' Report on page 11 sets out the remuneration of non-executive directors, the executive director and senior executives. 100% of the remuneration of non-executive directors is fixed and non-executive directors do not participate in any incentive plan. Remuneration paid to executives in 2011 included fixed and variable components, as details in the Remuneration Report.	Yes

ADDITIONAL CORPORATE GOVERNANCE MEASURES

Responsible Entity's Remuneration

The Trust Constitution permits the payout of the following fees to the Responsible Entity:

- A fee of up to 0.5% per annum of the Gross Trust Value. This fee may be waived, reduced or refunded by the Responsible Entity; and
- Reimbursement of Trust expenses incurred by the Responsible Entity on behalf of the Trust.

Meetings of the Board and their conduct

The Board meets formally approximately eight times a year and on other occasions, as required. The Chairman of the Board meetings sets the agenda for each meeting in conjunction with the Managing Director and Company Secretary. Senior management attends and makes presentations at Board meetings as considered appropriate and are available for questioning by Directors. Any Director may request additional matters be added to the agenda. Copies of Board papers are circulated in advance of the meetings. Directors are entitled to request additional information where they consider the information is necessary to support informed decision-making. The Board works to an annual agenda encompassing periodic reviews of the Trust's operating business units, recurring statutory obligations, business approvals and other responsibilities identified in the Board Charter. The number of meetings attended by each of the directors for the financial year is set out in the Directors' Report on page 9 of this report.

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Board access to information and independent advice

The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties. Each director may, with the prior written approval of either Chairman, obtain independent professional advice to assist the director in the proper exercise of powers and discharge of duties as a director or as a member of a Board Committee. The Trust will reimburse the director for the reasonable expense of obtaining that advice.

Committees of the board

Four standing Board Committees assist the Board in the discharge of its responsibilities. These are:

- the Remuneration Committee;
- the Nomination Committee;
- the Audit and Risk Management Committee; and
- the Occupational Health & Safety and Environmental Committee.

These Committees review matters on behalf of the Board and make recommendations for consideration by the entire Board. The roles and responsibilities of the Committees are documented in the Committees' Charters, reviewed by the Board and are available on the Thakral website.

In addition, the Board and Committees may appoint certain Directors to act on a sub-committee to approve or investigate issues on behalf of the Board.

Audit governance and independence

The Trust's current external auditors are KPMG, who were appointed in May 1994 and whose independence is regularly reviewed by the Board. In addition section 307C of the Corporations Act 2001 requires that auditors provide a declaration of their independence. This is set out on page 17 of this report. Such a declaration was provided to the Audit and Risk Management Committee for the financial year. KPMG require that the lead audit partner be changed every five years in accordance with CLERP 9. The Compliance Plan of the Trust is audited by a different KPMG partner to the Trust's audit partner.

Appointment and Rotation

The Audit and Risk Management Committee is responsible for making recommendations to the Board as to the re-appointment or replacement of the auditor and the rotation of the lead audit partner. The audit partner is rotated every five years.

Attendance of external auditors at the Annual General Meeting

KPMG attends, and is available to answer questions at, the Annual General Meeting of Thakral Holdings Limited.

Occupational Health & Safety and Environmental Committee

The Trust's properties and operations are conducted under a wide variety of Occupational Health & Safety (OH&S) and Environmental Protection Acts and Regulations. The Trust maintains an OH&S and Environmental Management System and uses its best efforts to ensure its properties and operations comply with all applicable laws.

The Trust's properties and operations hold all relevant OH&S and Environmental licences and permits and have implemented monitoring procedures to ensure that they comply with licence and permit conditions. Over the past year there have been no material breaches of any conditions of the Trust's licences or permits and the Trust did not experience any significant OH&S or Environmental incidents.

Throughout Australia and also in respect of the overseas investments the Trust's properties and operations have OH&S and Environmental Risk Management Systems designed to minimise OH&S risks and Environmental pollution and impairment. This program aims to ensure that employees within the Trust are fully capable of meeting their OH&S and Environmental responsibilities.

All Australian properties and operations undergo a regular OH&S and Environmental survey and audit. These are conducted internally by senior management or independent property managers and/or annually by the Trust's independent risk consultants. Property development projects are carried out in accordance with relevant State Government legislation including development approval and the associated environmental planning requirements. It is the Trust's policy that major breaches of all applicable OH&S and Environmental Protection Acts and Regulations are immediately reported to senior management and directors.

The members of the OH&S and Environmental Committee during the year were:

- Jaginder Singh Pasricha (Chairman); and
- Hugh Keller.

TRUST POLICIES

In addition to the continuous disclosure and share trading policies discussed above, the Trust has implemented a wide range of policies in accordance with the ASX Corporate Governance Recommendations including those covering the environment, accounting, business development, banking, legal, compliance, human resources and information technology.

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DIRECTORS' REPORT

The directors' of Sovereign Funds Management Limited (ABN 92 053 919 065) (Responsible Entity) as the Responsible Entity of the Thakral Holdings Trust (Trust) present their Report, together with the financial report of the Trust for the year ended 30 June 2011 and the auditor's report thereon.

The Responsible Entity of the Trust is an entity incorporated in New South Wales. The parent entity of the Responsible Entity is Thakral Holdings Limited (ABN 96 054 346 315), incorporated in New South Wales.

The Trust is a controlled entity of Thakral Holdings Limited (THL). The Trust's units are stapled to the shares of THL and are quoted together on the Australian Stock Exchange as Thakral Holdings Group under the code THG.

DIRECTORS

The following persons were directors of Sovereign Funds Management Limited during the financial year and up to the date of this report:

Albert Edward (Ted) Harris (Joint Chairman)
Kartar Singh Thakral (Joint Chairman)
John Stewart Hudson (Managing Director)
Hugh Douglas Hilton Keller
Inderbethal Singh Thakral
Jaginder Singh Pasricha
Lim Swe Guan
Rikhipal Singh Thakral
Gurmukh Singh Thakral (Alternate Director)
Karan Singh Thakral (Alternate Director)

DIRECTORS' EXPERIENCE, QUALIFICATIONS AND SPECIAL RESPONSIBILITIES

Albert Edward (Ted) Harris
AC AO F.Inst.D FAIM FAICD
Joint Chairman, Non-Executive Director

Mr. Harris served as Managing Director and Chief Executive Officer of the Ampol Group for a period of 10 years. He was formerly Chairman of Australian Airlines, British Aerospace Australia, the Gazal Corporation, Australian National Industries, Deputy Chairman of Metcash Limited and a director of a number of public companies. Currently Mr. Harris is Deputy Chairman of APN News & Media Limited, Chairman of the Australian Radio Network and President of St. Vincent's Clinic Foundation. He is a Life Governor of the Melanoma Foundation, a Life Member of the Australian Sports Commission and a former chairman of the Zoological Parks Board of NSW. He was a member of the Executive Board of the Sydney Olympics 2000 Bid Committee. Appointed March 1994 and appointed Joint Chairman in May 1996.

Kartar Singh Thakral
Joint Chairman, Non-Executive Director

Mr Kartar Singh Thakral is a Joint Chairman of the Company. He is Chairman of the Thakral Family companies and Thakral Corporation Limited, a company listed on the Singapore Stock Exchange. Mr Thakral was a director of the Singapore Trade Development Board, appointed by the Minister of Trade and Industry, for a period of four years, until 31 December 1998. He is a trustee of the Singapore Sikh Education Foundation, Sir Guru Nanak Sat Sang Sabha and a Patron of the Singapore Khalsa Association and the Singapore Sikh Welfare Council. Mr Thakral is the Vice Chairman and Founder member of Nishan-E-Sikhi Charitable Trust, India and was a trustee of the Singapore Indian Development Association from 1991 until 31 December 2006. Appointed March 1994 and appointed Joint Chairman May 1996.

John Stewart Hudson
FCA, FRICS
Managing Director

Mr Hudson joined Thakral Holdings Limited in 1997. A Chartered Accountant with over 30 years in public company finance and management, Mr Hudson has worked in the property industry for over 25 years with both developers and property owners. He is currently on the advisory Board of the Tourism & Transport Forum and the Committee for Sydney. He is a former Trustee of Hostplus, the industry superannuation fund for the hospitality industry. Appointed May 2002.

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Directors' Report *(continued)*

Hugh Douglas Hilton Keller
LLB
Non-Executive Director

Hugh Keller was until 30 June 2010 a partner of Blake Dawson Lawyers, and worked as a lawyer at that firm for over 40 years, during which time he advised numerous Australian and overseas corporations and served terms as Sydney office managing partner and joint national managing partner.

Mr Keller is a non-executive director of L J Hooker Limited, the non-executive chairman of a large proprietary investment company and a non-executive director of a not for profit charity. Appointed 4 March 2010.

Inderbethal Singh Thakral
Non-Executive Director

Mr Thakral has been conducting business in Asia, especially Hong Kong, China and Japan, for over 29 years. He is currently the Managing Director of Thakral Corporation Limited (TCL) and also oversees the Thakral family's investments jointly with the Chairman. Appointed February 2004.

Jaginder Singh Pasricha
LLM
Non-Executive Director

Mr Pasricha, a lawyer by training, has extensive experience in corporate structuring, tax planning, mergers and acquisitions, company listings, international cross border transactions, debt restructuring, provision of capital for property development projects, joint ventures and negotiating and executing complex transactions in Australia and Asia.

Mr Pasricha is Managing Director, Real Estate and Corporate of Thakral Corporation Limited, a company listed on Singapore Exchange Limited ("SGX"). He is also non-executive director of Jacks International Limited, listed on the SGX, a subsidiary of Johan Holdings Berhad, listed on Bursa Securities Malaysia. Appointed October 1993.

Lim Swe Guan
Non-Executive Director

Mr Lim is a resident of Singapore and was, until 18 February 2011, a Managing Director of Government of Singapore Investment Commission and the Global Head of Listed and Unlisted Real Estate Companies and Trusts for GIC Real Estate. Mr Lim is a director of GPT Management Holdings Limited and Suncity Berhad, Malaysia and an alternate director of Global Logistic Properties Ltd, Singapore. Mr Lim was appointed the Chairman of the Audit & Risk Management Committee of the Company in January 2010. Appointed February 2004.

Rikhipal Singh Thakral
Ph.D in Humanity (Hon)
Non-Executive Director

Rikhi Thakral has been an Executive Director of the Thakral family companies since 1979. He oversees the Thakral family property portfolio and manages the business operations in Indo-China countries, namely Vietnam, Myanmar, Cambodia and Laos.

He has been devoting significant time towards humanitarian work for over 25 years. In recognition of his relentless work in the field of education and support to the underprivileged, physically and mentally challenged children throughout Indo-China countries, he has been honoured with several prestigious awards, notably:

April 2011 "Medal of Friendship" by H.E. President of Vietnam
Nov 2009.. "Cross of Development Medal" by H.E.Prime Minister of Lao People's Democratic Republic
July 2009… "Medal of MOLISA" from Ministry of Labour, Invalids and Social Affairs, Vietnam
Nov 2008… "Grand Cross of the Royal Order of Monisaraphon" by H. E. King of Cambodia
July 2008… "Badge of Ho Chi Minh City", an Honorary Citizenship Awarded by People's Committee of Ho Chi Minh City, Vietnam.
July 2004…"Honorary Doctorate in Humanity" from University of Cambodia

Appointed October 1996.

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Directors' Report *(continued)*

Gurmukh Singh Thakral

Alternate Director for Kartar Singh Thakral

Mr Gurmukh Singh Thakral is the Managing Director of Thakral Brothers Pte Ltd (TBPL). He joined TBPL in 1970. Presently, he is heading the business units of consumer electronics, computer hardware & peripherals, telecommunication equipment, home appliances and software development & consultancy. TBPL won 1st place in the first ever Enterprise 50 list, ranking of top 50 most enterprising privately owned companies in Singapore in 1995. Appointed February 1997.

Karan Singh Thakral

Alternate Director for Rikhipal Singh Thakral

Mr Karan Singh Thakral is an Executive Director of Thakral Group of Companies. He joined the company in 1973. Presently, he is responsible for the Thakral Group's activities in investment, development and management of real estate projects in India as well as the manufacturing division - manufacturing of textiles, yarn, embroidery and high end men's suiting & apparels. Appointed February 1997.

DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the directors of the Responsible Entity during the financial year are:

			Meetings of Board Committees			
	Board Meeting		Audit and Risk Management Committee		Remuneration, Nomination and Other Committees	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Executive Director						
JS Hudson	10	10	3[1]	3[1]	10[2]	10[2]
Non Executive Directors						
AE Harris	10	10	3	3	8	8
KS Thakral	10	10	-	-	-	-
SG Lim	10	8	3	3	5	5
JS Pasricha	10	10	3	3	7	7
IS Thakral	10	10	1[1]	1[1]	1[1]	1[1]
RS Thakral	10	10	3[1]	3[1]	5[1]	5[1]
HD Keller	10	10	3[1]	3[1]	7[1]	7[1]

Held: indicates the number of meetings held during the period of each Director's' tenure.
Attended: indicates the number of those meetings attended by the Director.
[1] *Attended at the invitation of the Committee.*
[2] *Attended twice at the invitation of the Committee.*

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Directors' Report *(continued)*

PRINCIPAL ACTIVITIES

The principal activities of the Trust are investment in income producing hotel, retail and commercial properties. The Trust did not have any employees during the year.

The Responsible Entity holds an Australian Financial Services Licence (No.240994) issued pursuant to section 913B of the Corporations Act 2001 and the Trust is registered as a Managed Investment Scheme.

There were no other significant changes in the nature of the activities during the year.

REVIEW AND RESULTS OF OPERATIONS

The Trust recorded a net profit for the year of $10,902,000 (2010: $10,053,000). Included in the result was unrealised loss from fair value adjustments on investment properties of $18,240,000 (2010: unrealised gain from fair value adjustments on investment properties of $9,594,000).

DISTRIBUTIONS

Distributions paid or declared by the Trust to security holders for the financial year were:

	Payment per stapled security cents	Total amount $'000	Date of payment
Interim 2011	-	-	-
Final 2011	10.00	58,546	31 August 2011

Refer Note 16 Distributions for further details.

STATE OF AFFAIRS

The Trust is a part of the Thakral Holdings Group stapled entity. A subsidiary of Thakral Holdings Limited (THL) has external borrowings under a syndicated bank facility, which is secured by a fixed and floating charge over assets of the Thakral Holdings Group, which include assets of the Trust. Refer Note 17.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Responsible Entity to affect significantly the operations of the Trust, the results of those operations, or the state of affairs of the Trust, in future financial years.

LIKELY DEVELOPMENTS

Information about likely developments in the operations of the Trust and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Trust.

INTERESTS OF THE RESPONSIBLE ENTITY

The Responsible Entity holds no units either directly or indirectly in the Trust.

Directors' Report *(continued)*

RESPONSIBLE ENTITY'S REMUNERATION

In accordance with the Trust Constitution, Sovereign Funds Management Limited ("SFML") is entitled to receive:

- A fee of up to 0.5% per annum of the Gross Trust Value. This fee may be waived, reduced, or refunded by SFML; and
- Reimbursement of Trust expenses incurred by SFML on behalf of the Trust.

The fees paid or payable by the Trust and consolidated entities to the Responsible Entity during the year amounted to $4,703,000 (2010: $4,393,000).

DIRECTORS' INTERESTS

The relevant interest of each director of the Sovereign Funds Management Limited, the Responsible Entity in the unit capital of the Trust at the date of this report is as follows:

	Fully Paid Units
KS Thakral, IS Thakral and RS Thakral (In common)	246,520,069
RS Thakral (Direct)	2,400,000
AE Harris	320,000
JS Hudson	183,011
JS Pasricha	226,092
HD Keller	100,000

In addition, Mr Kartar Singh Thakral, Mr Rikhipal Singh Thakral and Mr Inderbethal Singh Thakral have a relevant interest in 40,000,000 partly paid units. Refer Note 14 for details.

UNITS ON ISSUE

During the financial year 317,500 units were issued. Refer Note 14 for details.

The number of interests in the Trust as at the end of the financial year consists of 584,962,514 non-voting units fully paid, 40,000,000 non-voting units partly paid and 100,000 voting units.

REMUNERATION REPORT (AUDITED)

Overview

The Board of directors' of the Responsible Entity has the authority and responsibility for planning, directing and controlling the activities of the Trust.

The Responsible Entity is part of the Thakral Holdings Group ("the Group"). The role of the Remuneration Committee of the Group is to review and make recommendations to the Group's Board on remuneration policies and packages applicable to directors and employees of the Group. Fees paid to directors of the Responsible Entity, who are also directors of Thakral Holdings Limited are based on the size and complexity of the Group, the achievements of the Group and the responsibilities and workload requirements of the directors.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which the Board considers is both appropriate to the position and is competitive in the market. Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to director benefits), as well as employer contributions to superannuation.

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Directors' Report *(continued)*
Remuneration Report *(continued)*

Performance linked remuneration – Short Term Incentive Bonus

The Managing Director, Mr John Hudson may receive bonuses based on the achievement of specific performance hurdles. The scheme has been set up so that the Managing Director is only rewarded if the performance of the Group has improved for security holders.

A minimum bonus pool of $200,000 is paid if the Group returns a 5% increase in adjusted profit on the previous year and positive EPS growth. The profit is adjusted to remove any unrealised movement in the fair value of investment properties and increased depreciation arising from the increased valuations of the Group's hotel properties. Property development profit is also adjusted to average over three years in an effort to remove the "lumpy" nature of these profits. The pool increases as the percentage increases over the previous year's profit. The pool is capped at $1,000,000.

Performance linked remuneration - Long Term Incentive Scheme (LTIS)

Share-based payments

Long term incentive awards are delivered through the granting of performance rights over the Group's stapled securities in accordance with the terms of LTIS the terms of which were approved by security holders at the 2007 Annual General Meeting. Unit holders should refer to the 2011 directors' report of Thakral Holdings Limited.

Service contracts

The Managing Director, Mr John Hudson, is employed under contract. Mr Hudson has a 12 month notice period on termination of his employment contract and an 18 month bona fide redundancy notice period. The Company may terminate the contract at anytime without notice if serious misconduct has occurred.

Non Executive directors' remuneration

The total fees paid to the Board are proposed to shareholders at Annual General Meetings for approval as required. Total remuneration for all non executive directors, which was last voted upon by security holders at the 2008 Annual General Meeting, is not to exceed $1,100,000 per annum excluding retirement benefit. The Joint Chairmen and the Audit Committee Chairman receive additional fees recognising the additional time commitment required for these roles. Non-executive directors do not receive any performance related remuneration.

The Thakral Holdings Limited Non Executive Directors' Retirement Plan was established in March 1995 to provide certain benefits to non executive directors. The retirement benefit is three times the fee payable to the director in the last year of service, subject to that amount not exceeding the total amount of fees paid to the director in the last three years of service. Any payment of the benefit is at the discretion of the Board and is subject to approval by the Board at the time the payment is due. The amounts payable under the Plan do not exceed the limitations contained in Section 200G (2) of the Corporations Act 2001. The Board have agreed to cap the benefits under the plan in November 2007 at the level then payable.

Responsible Entity's Directors' Unit Capital Holdings

The movement during the financial year in the number of units held directly, indirectly or beneficially, by each director, including their personally-related entities that they are aware of is as follows:

	2011			2010		
	Opening holding	Acquired/ (disposal)	Closing holding	Opening holding	Acquired/ (disposal)	Closing holding
John Stewart Hudson	58,011	125,000**	183,011	58,011	-	58,011
Albert Edward (Ted) Harris	320,000	-	320,000	320,000	-	320,000
Kartar Singh Thakral	246,520,069*	-	246,520,069*	246,520,069*	-	246,520,069*
Inderbethal Singh Thakral	246,520,069*	-	246,520,069*	246,520,069*	-	246,520,069*
Rikhipal Singh Thakral	248,920,069*	-	248,920,069*	248,920,069*	-	248,920,069*
Gurmukh Singh Thakral	246,520,069*	-	246,520,069*	246,520,069*	-	246,520,069*
Karan Singh Thakral	246,520,069*	-	246,520,069*	246,520,069*	-	246,520,069*
Jaginder Singh Pasricha	226,092	-	226,092	36,092	190,000	226,092
Hugh Douglas Keller	100,000	-	100,000	0	100,000	100,000

* *Various entities owned or controlled by the Thakral Family.*
** *Vested stapled securities issued as part of long term incentive scheme.*

In addition, Mr Kartar Singh Thakral, Mr Rikhipal Singh Thakral, Mr Inderbethal Singh Thakral, Gurmukh Singh Thakral and Karan Singh Thakral have a relevant interest in 40,000,00 partly paid stapled securities (2010: 40,000,000).

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Directors' Report *(continued)*
Remuneration Report *(continued)*

Details of the nature and the amount of each major element of the remuneration of each director of the Responsible Entity for their services to the Group and paid for by a related party are set out below.

		Short-Term Benefits					Post-Employment Benefits	Long-Term Benefits	Long-Term Incentives	Termination Benefits (5)	Other Benefits (6)	
		Salary and Fees (1)	Cash Bonus (2)	Proportion of Remuneration Performance Related	Non – Monetary Benefits (3)	Total Short-Term Benefits	Super-annuation	Long Service Leave	Share-Based Payment (4)			Total
Name	**Year**	**$**	**$**	**%**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-executive Directors												
AE Harris (Joint Chairman)	2011	208,438	-	-	-	208,438	-	-	-	-	-	208,438
	2010	186,667	-	-	-	186,667	-	-	-	-	-	186,667
KS Thakral (Joint Chairman)	2011	150,000	-	-	-	150,000	-	-	-	-	-	150,000
	2010	140,000	-	-	-	140,000	-	-	-	-	-	140,000
SG Lim	2011	114,679	-	-	-	114,679	10,321	-	-	-	-	125,000
	2010	92,046	-	-	-	92,046	8,284	-	-	-	-	100,330
JS Pasricha	2011	100,917	-	-	-	100,917	9,083	-	-	-	-	110,000
	2010	94,083	-	-	-	94,083	8,467	-	-	-	-	102,550
IS Thakral	2011	82,569	-	-	-	82,569	7,431	-	-	-	-	90,000
	2010	74,443	-	-	-	74,443	6,700	-	-	-	-	81,143
RS Thakral	2011	119,547	-	-	-	119,547	10,759	-	-	-	-	130,306
	2010	107,448	-	-	-	107,448	9,670	-	-	-	-	117,118
HD Keller[7]	2011	93,955	-	-	-	93,955	8,456	-	-	-	-	102,411
	2010	29,522	-	-	-	29,522	657	-	-	-	-	30,179
PJ McGovern[5]	2011	-	-	-	-	-	-	-	-	-	-	-
	2010	48,271	-	-	-	48,271	4,344	-	-	388,776	-	441,391
GS Thakral (Alternate Director)	2011	-	-	-	-	-	-	-	-	-	-	-
	2010	-	-	-	-	-	-	-	-	-	-	-
KS Thakral (Alternate Director)	2011	-	-	-	-	-	-	-	-	-	-	-
	2010	-	-	-	-	-	-	-	-	-	-	-
Sub total Non-executive Directors	2011	870,105	-	-	-	870,105	46,050	-	-	-	-	916,155
	2010	772,480	-	-	-	772,480	38,122	-	-	388,776	-	1,199,378
Executive Director												
JS Hudson (CEO and Managing Director)	2011	785,385	-	-	9,471	794,856	15,199	27,222	20,816	-	14,252	872,345
	2010	675,618	-	-	5,430	681,048	14,461	(13,215)	31,045	-	12,514	725,853
Total	2011	1,655,490	-	-	9,471	1,664,961	61,249	27,222	20,816	-	14,252	1,788,500
	2010	1,448,098	-	-	5,430	1,453,528	52,583	(13,215)	31,045	388,776	12,514	1,925,231

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Directors' Report *(continued)*
Remuneration Report *(continued)*

(1) Salary and Fees reflect base salary adjusted for annual leave (i.e. if less than 20 days leave is taken then salary cost increases and visa versa).
(2) Cash bonuses may be granted annually to executives, relating to the current year and are recognised on approval by the Board, before signing the financial statement.
(3) Reflects the value of allowances and benefits including but not limited to accommodation, travel, car parking, memberships and FBT payable.
(4) In accordance with the requirements of AASB 2 *Share Based Payments*, the fair value of rights is amortised over the vesting period, such that 'total remuneration' includes a portion of the fair value of unvested equity compensation during the year and the effect of reversal of EPS based rights that are not expected to vest.
(5) Mr. McGovern retired as non-executive director at 19 November 2009.
(6) Other benefits comprise life and total and permanent disability insurance premiums.
(7) Mr. Keller was appointed as non-executive director at 4 March 2010.

* Directors' retirement benefits paid are not disclosed in this section because any payments are at the discretion of the Board and their cost has been recognised and provided for in a previous period. Disclosure of insurance premiums paid by the Group on behalf of Directors is prohibited under the terms of the insurance contract.

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Directors' Report *(continued)*

NON-AUDIT SERVICES

During the year KPMG, the Trust's auditor has performed certain other services in addition to their statutory duties.

The Board has considered the non audit services provided during the year by the auditor and in accordance with a statement by the auditor provided to the Audit and Risk Management Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Trust and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor.
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Trust, or jointly sharing risks and rewards.

A copy of the auditor's independence declaration, as required under Section 307C of the Corporations Act, follows immediately after the directors' report.

Details of the amounts paid to the auditor of the Trust, KPMG and its related practices for audit and non-audit services provided during the year are set out below.

	2011 $	2010 $
Auditing and review of financial report	**22,000**	22,400
Tax compliance and advice	**30,000**	30,430
	52,000	52,830

Audit fees and fees for other services paid to the auditors of the Trust are paid by related entities in the Thakral Holdings Group. Unit holders should refer to the 2011 financial report of Thakral Holdings Group.

INDEMNITIES AND INSURANCE PREMIUMS OF OFFICERS AND AUDITORS

Indemnification

Under the Trust constitution the Responsible Entity, Sovereign Funds Management Limited, including its officers and employees, is indemnified out of the Trust's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Trust.

Since the end of the previous financial year, the Trust has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an auditor of the Trust.

Insurance premiums

During the financial year, insurance premiums were paid from the Trust's assets in respect of insurance cover for Sovereign Funds Management Limited and its officers for liability and legal expenses insurance contracts for the year ended 30 June 2011. Sovereign Funds Management Limited has paid or agreed to pay from Trust assets, premiums in respect of such insurance contracts for the year ending 30 June 2011. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been officers of the Responsible Entity.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the contracts.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required under Section 307C of the Corporations Act, follows immediately after the Directors' Report.

Directors' Report *(continued)*

ROUNDING OF AMOUNTS

The Trust is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS

Level 12, 301 George Street Sydney NSW, 2000.

This report is made in accordance with a resolution of the directors of Sovereign Funds Management Limited:

Signed in accordance with a resolution of the Directors:

A E Harris
Chairman

J S Hudson
Managing Director

Dated at Sydney this 25th day of August 2011.

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: the Directors of Sovereign Funds Management Limited as Responsible Entity for Thakral Holdings Trust

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011, there have been:

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

N R Virgo
Partner

Dated at Sydney this 25th day of August 2011.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2011

	Notes	Thakral Holdings Trust 2011 $'000	2010 $'000
Rental income from investment properties-related entities	21	**10,631**	10,458
Asset replacement - related entities	21	**757**	717
Distributions received		**28,515**	187
Total revenue		**39,903**	11,362
Management fees paid to responsible entity	20	**4,703**	4,393
Finance cost-related entities	21	**5,700**	6,444
Expenses on aborted sale of assets		**305**	-
Other		**53**	66
Total expenses		**10,761**	10,903
Profit before fair value adjustments		**29,142**	459
Net (loss)/gains from fair value adjustments on investment properties	8	**(18,240)**	9,594
Net profit		**10,902**	10,053
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**10,902**	10,053
Basic and diluted earnings per unit	4	**1.86 cents**	1.72 cents

	2011 $'000	2010 $'000
Net profit attributable to:		
Unit holders of Thakral Holdings Trust	**10,902**	10,053
Non-Controlling Interests	**-**	-
Net profit	**10,902**	10,053
Total comprehensive income attributable to:		
Unit holders of Thakral Holdings Trust	**10,902**	10,053
Non-Controlling Interests	**-**	-
Total comprehensive income for the period	**10,902**	10,053

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

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BALANCE SHEET

As at 30 June 2011

	Notes	Thakral Holdings Trust 2011 $'000	2010 $'000
Current Assets			
Cash and cash equivalents		**5**	5
Other current assets	**6**	**33**	341
Total Current Assets		**38**	346
Non-Current Assets			
Receivables from controlled entities	**7**	**294,304**	265,031
Investment properties	**8**	**171,438**	188,210
Investments in controlled entities	**9**	**307,698**	307,698
Total Non-Current Assets		**773,440**	760,939
Total Assets		**773,478**	761,285
Current Liabilities			
Trade and other payables	**10**	**626**	391
Distribution provisions	**11**	**58,546**	-
Interest bearing liabilities	**12**	**56,353**	56,353
Non interest bearing liabilities	**13**	**503,951**	502,948
Total Current Liabilities		**619,476**	559,692
Total Liabilities		**619,476**	559,692
Net Assets		**154,002**	201,593
Unit holders' funds - Equity			
Units	**14**	**129,606**	129,503
Undistributed income	**15**	**24,396**	72,090
Total Unit holders' funds – Equity		**154,002**	201,593

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2011

Thakral Holdings Trust	**Units**	**Undistributed income**	**Total unit holders' funds - Equity**
	$'000	**$'000**	**$'000**
Balance at 1 July 2010	**129,503**	**72,090**	**201,593**
Total recognised income and expenses for the year (net profit)	-	10,902	10,902
Vested units issued	103	-	103
Recognition of share-based payments	-	(50)	(50)
Distributions	-	(58,546)	(58,546)
Balance at 30 June 2011	**129,606**	**24,396**	**154,002**
Balance at 1 July 2009	**129,503**	**61,971**	**191,474**
Total recognised income and expenses for the year (net profit)	-	10,053	10,053
Recognition of share-based payments	-	66	66
Balance at 30 June 2010	**129,503**	**72,090**	**201,593**

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

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CASH FLOW STATEMENT

For the Year Ended 30 June 2011

	Notes	Thakral Holdings Trust 2011 $'000	2010 $'000
Cash Flows from Operating Activities			
Payments to suppliers		**(63)**	(79)
Distribution received		**28,515**	187
Net cash inflow from operating activities	**22**	**28,452**	108
Cash Flows from Investing Activities			
Refurbishment of investment properties		**(1,277)**	(1,271)
Net cash outflow from investing activities		**(1,277)**	(1,271)
Cash Flows from Financing Activities			
Proceeds from borrowings – controlled entities		**-**	7,607
Repayment of borrowings – controlled entities		**(21,475)**	-
Interest paid		**(5,700)**	(6,444)
Net cash inflow / (outflow) from financing activities		**(27,175)**	1,163
Net decrease in cash and cash equivalents		**-**	-
Cash and cash equivalents at 1 July		**5**	5
Cash and cash equivalents at 30 June		**5**	5

The above cash flow statement should be read in conjunction with the accompanying notes.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of this financial report for Thakral Holdings Trust (Trust) are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report was authorised for issue by the directors of Sovereign Funds Management Limited (Responsible Entity) on 25 August 2011.

(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 ('AASB') and the Corporations Act 2001. The financial statements also comply with International Financial Reporting Standards.

(b) BASIS OF PREPARATION

The financial report is presented in Australian dollars. Thakral Holdings Trust is domiciled in Australia. The Trust is part of the stapled group that belongs to Thakral Holdings Group. The Trust's non voting units are stapled to shares in Thakral Holdings Limited (THL), which is the parent of the reporting entity group Thakral Holdings Group. In 1994, the Thakral Holdings Group (the "Group") was created by amending the Constitutions of the Trust and THL. The key features of these arrangements are as follows:

- the ordinary voting shares of THL have been stapled to the non-voting units in THT;
- a wholly owned subsidiary of THL owns 100% of the voting units in THT;
- the resulting Thakral Holdings Group stapled securities are quoted together on the Australian Security Exchange under the code THG;
- for as long as the two entities remain jointly quoted, the number of non-voting units in THT and the number of shares in THL shall be equal, and the unit holders and shareholders be identical; and
- the Constitutions specify that THL and the Responsible Entity of THT, Sovereign Funds Management Limited, must at all times act in the best interest of Thakral Holdings Group.

The stapling arrangement will cease upon the earlier of either:

- the winding up of THT or THL; or
- the termination of the stapling arrangements.

The financial statements of the Trust are separate financial statements. The Trust has used the exemption from the preparation of consolidated financial statements under Australian Accounting Standard AASB 127 Consolidated and Separate Financial Statements. The consolidated financial statements of Thakral Holdings Group consolidate the results and financial position of the Trust and subsidiaries of the Trust. The consolidated financial statements of Thakral Holdings Group are included in the annual report which is available from the Group's website at www.thakral.com.au.

This financial report has been prepared under the historical cost convention, except investment properties are stated at fair value.

(c) REVENUE AND PROFIT RECOGNITION

Rent
Rental income from investment properties (a hotel and a retail centre) is recognised on a straight line basis over the term of the lease. Lease incentives are recognised as a reduction of rental income on a straight line basis over the term of the lease.

Interest Revenue
Interest revenue is recognised as it accrues using the effective interest method.

Asset replacement income
Asset replacement income is revenue earned from related entities for the replacement of furniture, fixtures and equipment based on 3% of hotel turnover.

(d) DISTRIBUTIONS

Revenue from distributions from controlled entities is recognised when they are declared by the controlled entities.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) EXPENSES

Responsible Entity's Remuneration

In accordance with the Trust Constitution, the Responsible Entity, Sovereign Funds Management Limited is entitled to a management fee as manager of the Trust. The maximum base management fee is 0.50% per annum of the gross trust value. This fee can be waived, reduced or refunded as agreed between the Trust and the Responsible Entity. The Responsible Entity is also entitled to reimbursement of Trust expenses incurred on behalf of the Trust. The Trust recognises the management fee and reimbursement of Trust expenses in the statement of comprehensive income and accrues for any unpaid amounts at balance date.

Finance costs

Finance costs include interest payable on borrowings from related parties using the effective interest method.

(f) TAXATION

Under current Australian income tax legislation, the Trust is not liable for income tax, provided that the taxable income (including any assessable component of any capital gains from sale of investment properties) is fully distributed to unit holders each year. To the extent that the net income of the Trust is not distributed to unit holders, income tax may be payable by the Responsible Entity of the Trust at the rate of 46.5% including the Medicare Levy. Tax allowances for building and plant and equipment depreciation are distributed to unit holders in the form of tax deferred components of distributions. Where the Trust has available tax losses these are applied against the trust income.

(g) INVESTMENT IN CONTROLLED ENTITIES

Investments in controlled entities are carried at their cost of acquisition less impairment (refer Note 1(j)) in the Trust's financial statements.

(h) INVESTMENT PROPERTIES

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) which are held for long term rental yields and capital appreciation.

Initially investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

Fair value

Fair value of investment properties is reviewed at each reporting date to ensure that the value reflects market conditions at that reporting date. Fair value is based on market value, being the estimated amount for which each property could be exchanged at the date of valuation between a willing buyer and willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion. Investment properties are independently valued each year to determine fair value. If an investment property is sold subsequent to the balance date, these independent valuations together with any further market conditions and sales of similar properties are considered by the directors in determining fair value at reporting date. Where the carrying value differs materially from the independent valuation, an adjustment to carrying value is recorded as appropriate. Gains and losses arising from changes in the fair values are recorded in the statement of comprehensive income in the period in which they arise.

Disposal of revalued assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and proceeds received, and is included in the statement of comprehensive income in the year of disposal.

(i) RECEIVABLES

Trade debtors and other receivables are carried at amortised cost less impairment losses. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is raised for any doubtful accounts.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) IMPAIRMENT OF NON FINANCIAL ASSETS (INCLUDING INVESTMENTS IN SUB-TRUSTS)

At each reporting date, the Trust assesses whether there is any indication that an asset, other than investment properties may be impaired. Where an indicator of the impairment exists, the Trust makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the statement of comprehensive income unless they relate to a re-valued asset, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statement of comprehensive income. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). The assessment for impairment of the Trusts' investments in its sub-trusts is performed by comparing the carrying amount (historical cost less any impairment) to the net assets of the sub-trust. An impairment is recognised when the carrying amount is in excess of the sub-trusts' net assets. The sub-trusts' net assets include properties that are recorded at fair value.

(k) PAYABLES

Trade and other payables are stated at their amortised cost and represent liabilities for goods and services provided prior to the end of the financial year and which are unpaid. The amounts are usually settled on suppliers' normal terms of credit.

(l) NON INTEREST BEARING BORROWINGS – RELATED ENTITIES

Non interest bearing borrowings from related entities are brought to account initially at fair value. Subsequent to initial recognition, non interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of borrowings on an effective interest basis. These borrowings are repayable to related entities on demand.

(m) INTEREST BEARING BORROWINGS – RELATED ENTITIES

Interest-bearing borrowings from related entities are recognised initially at fair value. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of borrowings on an effective interest basis. These borrowing are repayable to related entities on demand.

(n) PROVISIONS

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of past events; it is more likely than not an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

A provision for distributions payable is recognised in the reporting period in which the distributions are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(o) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item 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 ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to the ATO is classified as an operating cash flow.

(p) EARNINGS PER UNIT

(i) Basic earnings per unit

Basic earnings per unit is determined by dividing the net profit attributable to the Trust's unit holders, by the weighted average number of units outstanding during the year, adjusted for bonus elements in units, if any, issued during the year.

(ii) Diluted earnings per unit

The diluted earnings per unit is determined by dividing the net profit attributable to the Trust's unit holders for the reporting period by the weighted average number of ordinary units of the Trust, adjusted for the difference between the average market price of the units during the year and the amount to be paid for the partly paid units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) CHANGES IN ACCOUNTING STANDARDS

The Trust has adopted the following amendments as of 1 July 2010.

- The pronouncement on AASB 107 "Cash Flow Statements" clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities. This aligns the classification of cash flows from investing activities in cash flow statement and the presentation of recognised assets on balance sheet.

- The amended Accounting Standard AASB 117 Leases requires entities with existing leases of land and buildings to reassess the classification of land as a finance or operating lease. Finance lease is recognised on balance sheet. This amendment is applied retrospectively based on the information existing at the inception of the lease.

(r) NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards, interpretations and amendments to existing standards have been published that are applicable to the Trust but are not mandatory for 30 June 2011 reporting periods.

Standard	Summary	Issue Date	Applicable Date
AASB 9 Financial Instruments	AASB 9 includes requirements for classification and measurement of financial assets resulting from the first part of phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets.	Dec 2009	30 June 2013
AASB 127 Consolidated and Separate Financial Statements	The amended AASB 127 changes whether an entity is consolidated by revising the definition of control.	May 2011	30 June 2013
IFRS 10 Consolidated Financial Statements	IFRS 10 introduces a new approach to determine which investees should be consolidated. The standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investees.	May 2011	30 June 2013
IFRS 11 Joint Arrangements	If the parties have rights to and obligations for underlying assets and liabilities, the joint arrangement is considered a joint operation and partial consolidation is applied. Otherwise the joint arrangement is considered a joint venture and they must use the equity method to account for their interest.	May 2011	30 June 2013
IFRS 12 Disclosures of Interests in Other Equities	IFRS 12 contains the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associated and/or unconsolidated structure entities.	May 2011	30 June 2013

The potential impact of this standard is yet to be fully determined. However, it is not expected that the new standard will significantly affect the Trust's financial position. The Trust plans to apply the standard in the reporting period when it becomes effective for the Trust.

(s) ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of a financial report requires the Trust to make estimates and assumptions that in certain circumstances affect the carrying amounts of assets and liabilities. In preparing this financial report , the Trust has utilised available information, including the Trust's history, industry standards and the current economic environment, among other factors, in forming its estimates and judgements of certain amounts included in the financial report, giving due consideration to materiality. It is possible that the ultimate outcome as anticipated by the Trust in formulating its estimates inherent in this financial report might not materialise. In the valuation of investment properties the assessments can have a significant affect on the income and financial position of the Trust. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

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2. THE TRUST

The Trust commenced on 9 September 1987 and following an amendment to the Trust Deed there is no fixed termination date; however, it may terminate in either of the following circumstances:

a) If the Responsible Entity, in a notice to the Unit Holders, specifies that the Trust is to be terminated; or

b) If any of the other circumstances specified in section 601NE of the Corporations Act 2001 apply.

3. SEGMENT REPORTING

The Trust's income is derived from the rental of hotel and retail properties to related parties. The Trust acts solely in Australia. The Trust's chief operating decision maker receives no further details about its financial performance (on a stand alone basis) than is presented in these financial statements.

4. EARNINGS PER UNIT

	Thakral Holdings Trust	
	2011	**2010**
Basic earnings per unit (cents)	**1.86**	1.72
Diluted earnings per unit (cents)	**1.86**	1.72
Earnings used in the calculation of basic and diluted earnings per unit ($'000)	**10,902**	10,053
Weighted average number of basic earnings per unit:		
Ordinary and partly paid units	**584,851,137**	584,745,014
Weighted average number of diluted earnings per unit:		
Ordinary and partly paid units	**584,851,137**	584,745,014
Effect of performance rights	**402,500**	720,000
Effect of partly paid units	**-[(1)]**	-[(1)]
	585,253,637	585,465,014

[(1)] The effect of 40 million partly paid units is excluded from the calculation of EPS as their inclusion would be anti-dilutive.

5. AUDITOR'S REMUNERATION

	Thakral Holdings Trust	
	2011	**2010**
	$	**$**
Auditing and review of financial report	**22,000**	22,400
Tax compliance and advice	**30,000**	30,430
	52,000	52,830

Audit fees and fees for other services paid to the auditors of the Trust are paid by related entities in the Thakral Holdings Limited Group. Unit holders should refer to the 2011 financial report of Thakral Holdings Limited.

	Thakral Holdings Trust	
	2011	**2010**
	$'000	**$'000**
6. OTHER CURRENT ASSETS		
Prepayments	**33**	341

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	Thakral Holdings Trust 2011 $'000	Thakral Holdings Trust 2010 $'000
7. RECEIVABLES FROM CONTROLLED ENTITIES		
Non-current		
Amounts due from controlled entities	**287,032**	**258,517**
Amounts due from related entities	**7,272**	**6,514**
	294,304	**265,031**
8. INVESTMENT PROPERTIES		
At fair value	**171,438**	188,210
Reconciliation		
Carrying amount at 1 July	**188,210**	177,241
Additions	**1,468**	1,375
Net (loss) / gains from fair value adjustments	**(18,240)**	9,594
Carrying amount at 30 June	**171,438**	188,210

Valuations

Independent valuations were carried out as at 30 June 2011 by Jones Lang LaSalle Hotels. The annual valuations are in accordance with the assumptions set out in Note 1(h) and 1(s). Investment properties are 100% owned.

Valuation methods used to determine the fair value of investment properties include market sales comparison, cost per room, discounted cash flow and capitalisation rate. The fair value for a property may be determined using a combination of these and other valuation methods. The average market capitalisation rate of the investment property for the Trust at 30 June 2011 was 8.3% (2010: 7.6%). Other assumptions underlying the valuations include:

- Hotel assets: weighted average occupancy rate in the first year of 68% (2010: 67%), with a weighted average growth in occupancy over 4 years of 0.73% (2010: 0.99%) per annum and a weighted average growth in revenue per available room of 4.20% (2010: 4.75%) over 4 years; and
- Retail and commercial assets: weighted average vacancy rate of 2.0% (2010: 2.0%) and a weighted average growth in rental income of 3.2% (2010: 3.3%) per annum over 10 years.

	Thakral Holdings Trust 2011 $'000	Thakral Holdings Trust 2010 $'000
9. INVESTMENTS IN CONTROLLED ENTITIES		
Investments in controlled entities. Unlisted units valued at cost.	**307,698**	307,698
10. TRADE AND OTHER PAYABLES		
Current		
Trade and other payables	**626**	391
11. DISTRIBUTION PROVISIONS		
Current		
Distributions	**58,546**	-
Reconciliation		
Distribution – current		
Carrying amount at 1 July	**-**	-
Provisions made during the year	**58,546**	-
Payments made during the year	**-**	-
Carrying amount at 30 June	**58,546**	-

Distribution provision of $58,546,251 (2010: Nil) relates to the final distribution for year ended 30 June 2011.

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	Thakral Holdings Trust 2011 $'000	2010 $'000
12. INTEREST BEARING LIABILITIES		
Current		
Amount owing to related entities	**56,353**	56,353
13. NON INTEREST BEARING LIABILITIES		
Current		
Amount owing to related entities	**503,951**	502,948
14. UNITS		
Units on issue		
584,645,014 non-voting units fully paid (2010: 584,645,014)	**129,311**	129,311
Vested units issued 317,500 units (2010: nil)	**103**	-
Closing non-voting units fully paid - 584,962,514 units (2010: 584,645,014)	**129,414**	129,311
40,000,000 non-voting units of $0.23 partly paid to $0.0023 (2010: 40,000,000)	**92**	92
Units stapled to Thakral Holdings Limited shares	**129,506**	129,403
100,000 voting units of $1.00 fully paid	**100**	100
Total units on issue	**129,606**	129,503

The Trust currently has on issue 40,000,000 partly paid units which are owned by Replay Investments Pty Limited (a Company controlled by the Thakral Family, a related party). The units are stapled to shares in Thakral Holdings Limited and the total amount to be called on these partly paid stapled securities is 49.5 cents each.

The Trust may call for the payment of the unpaid balance at any time before 11 June 2019 subject to giving three months notice. In the event that unpaid balance is not paid by 11 June 2019 then these units may be forfeited and become the property of the Trust and may be sold or otherwise disposed of by the Trust.

The performance measure which drives LTI vesting is the Group's TSR performance relative to the companies within the ASX S&P 200 Property Index. As a result of the Group's performance over the period, Tranche 1 of LTIs awarded in the financial years of 2008-2011 ($103,357) vested on 1 January 2011.

15. UNDISTRIBUTED INCOME

	Thakral Holdings Trust 2011 $'000	2010 $'000
Undistributed income at 1 July	**72,090**	61,971
Net profit attributable to unit holders of the parent entity	**10,902**	10,053
Recognition of share-based payments	**(50)**	66
Distributions recognised during the year	**(58,546)**	-
Undistributed income at 30 June	**24,396**	72,090

16. DISTRIBUTIONS

Type	Payment per unit cents	Total amount $'000	Date of payment
2011	10.00	58,546	31 August 2011
2010	-	-	-

Distributions are paid on partly paid units to the extent that partly paid units have been paid (i.e. paid value ÷ issue price), currently at 1%. Unit holders should refer to their annual distribution statement for the exact components of the distribution. The tax status for the 2011 distribution was 30.79% capital gains 50% discount, 37.24% CGT concessional, 31.10% tax deferred and 0.87% foreign other income. There was no distribution made in 2010.

17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There is a fixed and floating charge over assets of the Trust, in respect of borrowings by THL Investment Unit Trust from a syndicate of banks being Commonwealth Bank of Australia, HSBC Bank Australia, Westpac Banking Corporation and ING Bank N.V. (Sydney Branch). THL Investment Unit Trust is a related entity of the Trust. Other entities controlled by Thakral Holdings Limited have given similar security. At 30 June 2011 the total debt outstanding was $388,653,933 (2010: $587,987,539). Refer Note 17 of the Thakral Holdings Group's annual financial report for further details about the syndicated finance facility.

At 30 June 2011, the Trust had net current liabilities of $619,438,000 (2010: $559,346,000), which includes loans and payables to related parties of $560,304,000 (2010: $559,301,000). Under the Stapling Deed between Thakral Holdings Limited (THL) and Sovereign Funds Management Limited (SFML) as responsible entity for Thakral Holding Trust (THT), THL and THT are obligated to provide financial support to each other.

18. OPERATING LEASE RECEIVABLES

	Thakral Holdings Trust	
	2011	**2010**
	$'000	**$'000**
Non-cancellable operating lease receivables not recognised from investment property tenants		
Within one year	**8,389**	8,682
Later than one year but no later than five years	**19,841**	19,116
Later than five years	**10,410**	9,139
	38,640	36,937

19. CONTROLLED ENTITIES

100% owned controlled entities incorporated in Australia.

Name of entity
Parent entity
Thakral Holdings Trust
Controlled entities
Adelaide Hotel Site Trust
Adelaide Hotel Unit Trust
AOC Unit Trust
Brighton Beach Unit Trust
Launceston International Hotel Unit Trust
Northbeach Wollongong Unit Trust
Property Holding Unit Trust
Thakral Asia Unit Trust
Thakral Brisbane Hotel Unit Trust
THL Wynyard Centre Unit Trust

20. KEY MANAGEMENT PERSONNEL DISCLOSURES

The Responsible Entity of the Trust is Sovereign Funds Management Limited ("SFML") (ABN 92 053 919 065) whose immediate and ultimate holding company is Thakral Holdings Limited (ABN 96 054 346 315). The Responsible Entity SFML acts in place of KMP.

In accordance with the Trust Constitution, SFML is entitled to receive:

- A fee of up to 0.5% per annum of the Gross Trust Value. This fee may be waived, reduced, or refunded by SFML; and
- Reimbursement of Trust expenses incurred by SFML on behalf of the Trust.

The fees paid or payable by the Trust and consolidated entities to SFML during the year amounted to $4,703,000 (2010: $4,393,000). The reimbursement of Trust expenses amounted to $nil (2010:$nil).

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20. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

The following were directors of the Responsible Entity at any time during the reporting period and unless otherwise indicated were KMP of the Responsible Entity for the entire period.

Albert Edward (Ted) Harris (Joint Chairman)
Kartar Singh Thakral (Joint Chairman)
John Stewart Hudson (Managing Director)
Hugh Douglas Keller
Inderbethal Singh Thakral
Jaginder Singh Pasricha
Lim Swe Guan
Rikhipal Singh Thakral
Gurmukh Singh Thakral (Alternate Director)
Karan Singh Thakral (Alternate Director)

No remuneration is paid directly by the Trust to the KMP of the Responsible Entity.

Loans and other transactions with KMP and the directors' of the responsible entity

No loans have been made, guaranteed or secured, directly or indirectly, by the Trust, to either the Responsible Entity or the directors' of the Responsible Entity's personally-related entities.

A number of the Responsible Entity's directors', or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. None of these entities transacted with the Trust in the reporting period.

The directors' of the Responsible Entity, or their personally-related entities, from time to time, use the hotel facilities of the Thakral Holdings Group. The benefits received are on the same terms and conditions to those offered to other employees of the Thakral Holdings Group.

21. NON-DIRECTOR RELATED PARTY TRANSACTIONS

A wholly owned entity of Thakral Holdings Limited holds all of the voting units in the Trust.

Receivables and Payables between the Trust and Thakral Holdings Limited and its controlled entities are disclosed in Note 7, 12 and 13. The amounts receivable and payable are unsecured and are repayable on demand. Interest of $5,700,000 (2010: $6,444,000) was payable on these debts at market rates. There is no interest charged on loans to Thakral Holdings Limited.

The Trust has a lease with Thakral Operations Pty Limited (controlled entity of Thakral Holdings Limited), for the rental of property owned by the Trust. The Trust earned rental income of $10,631,000 (2010: $10,458,000) and asset replacement income of $757,000 (2010: $717,000).

22. RECONCILIATION OF NET PROFIT TO CASH FROM OPERATING ACTIVITIES

	Thakral Holdings Trust	
	2011 $'000	**2010 $'000**
Net profit for the year	**10,902**	10,053
Property revaluation loss / (gains)	**18,240**	(9,594)
Decrease/(Increase) in assets		
Increase in amounts owed by related entities	**(11,389)**	(11,175)
Decrease in other current assets	**194**	330
(Decrease)/Increase in liabilities		
Increase /(Decrease) in other payables and accruals	**48**	(409)
Increase in amounts owed to related entities	**10,457**	10,903
Net cash flows from operating activities	**28,452**	108

23. Financial Instruments

(a) Financial Risk Management Objectives and Policies

The financial risk of the Trust is managed in line with that of Thakral Holdings Group (the Group). The Group's financial risk management objectives and policies are set out as below.

The Group's activities result in exposure to variety of financial risks, including market risk (interest rate risk, currency risk), credit risk and liquidity risk. The Group's overall financial risk management programme seeks to mitigate these risks and reduce volatility on the financial performance.

Financial risk management is carried out under policies approved by the Board of Directors. The Group's financial risk position with respect to key financial objectives are regularly presented to the Board.

Group's management of financial risk is aimed at ensuring net cash flows are sufficient to:

- meet its financial commitments as and when they fall due;
- maintain the capacity to fund its development strategy; and
- continue to pay distributions, subject to the restrictions of the renewed syndicated facility. Refer Note 17.

The Group's principal financial instruments, other than derivatives, comprise interest-bearing debt, cash and short-term deposits. Other financial instruments include trade receivables and payables, which arise directly from operations.

It is, and has been, throughout the period, the Group's policy that no speculative trading in financial instruments shall be undertaken.

(b) Liquidity Risk

The Trust's financial liabilities are inter-company loan balances with entities within the consolidated entity, as such these balances do not expose the Trust to liquidity risk.

(c) Credit Risk

The Trust has receivables due from controlled and related entities within the consolidated entity, as such these balances do not expose the Trust to credit risk.

(d) Interest Rate Risk

The Trust's interest risk arises from interest-bearing inter-company loan with entities within the consolidated entity.

The Trust pays interests on its interest bearing liabilities at a variable rate, which was an average of 8.67% for the year ended 30 June 2011 (2010: 10.25%). If interest rates moved up or down by 100 basis points, the impact on profit or (loss) would be a decrease of $563,528 or an increase of $563,528.

(e) Fair Value

The fair value of financial assets (receivables) and financial liabilities (payables) is the same as their carrying amounts. The Trust does not have any financial instruments at fair value.

(f) Capital Management

The capital management strategy of the Trust is managed as a part of Thakral Holdings Group (the Group). The Trust does not have its own capital management strategy. The Group's capital management strategy is set out as below:

- The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while optimising the return to stakeholders through the balance of debt and equity taking into account return on equity, earnings growth, risk and borrowing capacity.

- The Board of Directors reviews the capital structure, the cost of capital and the capital associated risks. The Group balances its overall capital structure through the payment of distributions, security buy-backs as well as the issue of new debt or the redemption of existing debt.

- The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings.

- The capital structure of the Group is managed within the constraints of the borrowing covenants.

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24. Events Subsequent To Balance Date

There have been no significant events or transactions that have arisen since the end of the financial year, which in the opinion of the Directors, would affect significantly the operations of the Trust, the results of those operations, or the state of affairs of the Trust.

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DIRECTORS' DECLARATION

1 In the opinion of the Directors of Sovereign Funds Management Limited, the Responsible Entity of Thakral Holdings Trust ("the Trust"):

(a) the financial statements and notes that are contained on pages 18 to 32 and the Remuneration report in the Directors' report, set out on pages 7 to 16, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Trust's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (a);

(c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

2 The Trust has operated during the year ended 30 June 2011 in accordance with the provisions of the Trust Constitution dated 9 June 2000.

3 The Register of Unit Holders has, during the year ended 30 June 2011, been properly drawn up and maintained so as to give a true account of the Unit Holders of the Trust.

4 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the directors:

A E Harris
Chairman

J S Hudson
Managing Director

Dated at Sydney this 25th day of August 2011.

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Independent auditor's report to the unitholders of Thakral Holdings Trust

Report on the financial report

We have audited the accompanying financial report of Thakral Holdings Trust (the "Trust"), which comprises the balance sheet as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of Sovereign Funds Management Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity'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 entity'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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a true and fair view which is consistent with our understanding of the Trust's financial position and of its performance.

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

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*

Auditor's opinion

In our opinion:

(a) The financial report of Thakral Holdings Trust is in accordance with the *Corporations Act 2001*, including:

  (i) Giving a true and fair view of the Trust's financial position as at 30 June 2011 and of its 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 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 11 to 14 of the directors' report for the year ended 30 June 2011. The directors of the Responsible Entity are responsible for the preparation and presentation of the remuneration report in accordance with Section 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Thakral Holdings Trust for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Nigel R Virgo
Partner

Sydney

25 August 2011

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CORPORATE DIRECTORY

THE DIRECTORS

Albert Edward (Ted) Harris, AC
Kartar Singh Thakral
John Stewart Hudson
Lim Swe Guan
Hugh Douglas Hilton Keller
Jaginder Singh Pasricha
Rikhipal Singh Thakral
Inderbethal Singh Thakral

GENERAL COUNSEL/COMPANY SECRETARY

Andrew Crawford Horne

WEBSITE

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SECURITIES REGISTRY

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SECURITIES EXCHANGE LISTING

ASX Limited
Home Exchange, Sydney
ASX Security Code THG

RESPONSIBLE ENTITY

Sovereign Funds Management Limited (ACN 053 919 065) is the Responsible Entity for Thakral Holdings Trust (ARSN 092 850 827).

REGISTERED OFFICE

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Sydney NSW 2000
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ANNUAL GENERAL MEETING

The Annual General Meeting of Thakral Holdings Limited will be held at the Menzies Hotel, Carrington Street, Sydney at 11am Monday 21 November 2011.

Notice of Meeting and Explanatory Memorandum and Proxy Voting Form will be posted to all security holders in mid October 2011.

THAKRAL AT A GLANCE

HOTELS/RESORTS

NEW SOUTH WALES

The Menzies, Sydney
Novotel Brighton Beach, Sydney
Novotel Northbeach, Wollongong
Novotel Pacific Bay Resort, Coffs Harbour

VICTORIA

Hilton on the Park, Melbourne

QUEENSLAND

Sofitel Brisbane Central
Sofitel Gold Coast, Broadbeach

RETAIL/COMMERCIAL

NEW SOUTH WALES

Thakral House, Sydney
Wynyard Centre, Sydney
Wynyard Lane Car Park, Sydney
Bayside Plaza, Brighton Beach
Thakral Bayside, Brighton Beach

QUEENSLAND

Oasis Shopping Centre, Broadbeach
Monorail, Broadbeach

JAPAN

Osaka Residential Apartments

PROPERTY DEVELOPMENT

NEW SOUTH WALES

Pacific Bay Resort Residences, Coffs Harbour
Halcyon, Lavender Bay, Sydney
Norwest Site

VICTORIA

18 Clarendon Apartments, Melbourne
Mosspennoch House, Melbourne
Hilton Redevelopment, Melbourne

QUEENSLAND

Trilogy on the Esplanade, Cairns
Argentea, Palm Cove
Alchemy on Broadbeach, Broadbeach
Budds Beach, Gold Coast

For personal use only

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THAKRAL
a wider view on property

27 September 2011

Dear Investor

Thakral Holdings Group (ASX code THG) – Annual Report and Annual General Meeting

We are pleased to advise that the online interactive version of the 2011 Thakral Holdings Group ("***Thakral***") Annual Report for the financial year ended 30 June 2011 is now available to view on our website (www.thakral.com.au), by visiting the "Investor Centre/Annual Reports" sections.

As requested by you, we **enclose** the following documents:

1. THG 2011 Annual Report containing a printed version of the full audited consolidated financial statements for THG for the financial year ended 30 June 2011; and
2. the full audited financial statements for Thakral Holdings Trust for the financial year ended 30 June 2011.

The Thakral website also provides access to previous Annual Reports, full financial statements, ASX Releases and information on the Thakral Property Portfolio.

If you no longer wish to receive a full printed version of the Thakral Annual Report, please contact Link Market Services on 1800 221 227 (toll free within Australia) or +61 2 8280 7147 or www.linkmarketservices.com.au.

Annual General Meeting

The Annual General Meeting of Thakral Holdings Limited will be held on **Monday 21 November 2011 commencing at 11am at the Menzies Hotel**, located at 14 Carrington Street, Sydney.

The Notice of Meeting, Explanatory Memorandum and Proxy Voting Form will be posted to investors by 21 October 2011 and will also be available to view on our website (www.thakral.com.au). Please note that Proxy Voting Forms must be signed and lodged with Link Market Services by 11am on Saturday 19 November 2011.

If you have any other queries, please contact Thakral on (02) 9272 8888 or email info@thakral.com.au.

Yours faithfully

Andrew Horne
General Counsel/Group Company Secretary