Talgentra Pacific Group Pty Ltd
ACN 128 327 917

Annual Financial Report
30 September 2011

Contents

Talgentra Pacific Group Pty Ltd
Directors' report
For the year ended 30 September 2011

The directors present their report together with the financial statements of the Group comprising of Talgentra Pacific Group Pty Ltd ('the Company') and the entities it controlled at the end of, or during, the financial year ended 30 September 2011 and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial period are:

Name	*Appointment*
J Clifford	Director since 5th November 2007
J Docking	Director since 6th December 2007
L Warren	Director since 2nd June 2008

2. Principal activities

The principal activities of the Group during the course of the financial period were the provision of billing and customer management software solutions for the utility and airport industries. The Company has its registered office at Level 9, 390 St. Kilda Road, St Kilda, Melbourne, VIC 3004.

3. Operating and financial review

Overview of the Group

The consolidated profit after tax for the year ended 30 September 2011 is $4,743,000 (2010: $3,737,000).

The Group provides software solutions to Australasia, North America, Europe, the Pacific Islands and East Asia. The major markets from which the Group's revenues are generated were energy billing, revenue management and airport management systems.

4. Dividends

Dividends paid by the Group to members since the end of the previous financial year:

	Cents per share	Total amount	Date of payment
Final 2010 Ordinary	100.00	$10,969,357	23 December 2010

Franked dividends declared as paid during the year were franked at the rate of 30 percent.

5. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial period 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 the affairs of the Group, in future financial years.

6. 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.

7. Environmental regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

8. Significant changes in the state of affairs

In the opinion of the directors of the Company there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

9. Indemnification and insurance of officers and auditors

Indemnification

The Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

Insurance Premiums

During the financial period Gentrack Limited, a wholly owned subsidiary of the Company, has paid premiums on behalf of the Company in respect of directors' and officers' liability and legal expenses insurance contracts and since the financial period, Gentrack Limited has paid or agreed to pay on behalf of the Company, premiums in respect of such insurance contracts for the year ending 30 September 2012. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or officers of the Company.

The insurance policies prohibit disclosure of the premiums paid in respect of those policies and the nature of the liabilities insured by the policies.

10. Research and development

Investment in research and development ("R&D") continues to be a key element in the success of the Gentrack business allowing us to win new customers, as well as keep existing customers who look to the latest software releases to support their changing business aspirations and requirements.

Based in Gentrack's global head quarters in Auckland New Zealand, Gentrack's R&D group is responsible for the product roadmap that encompasses a variety of strategic and tactical requirements to support major projects and the continued positioning of the business globally.

In 2011 the Group R&D expenditure was $4,560,000 representing 18.3% of total revenue. This level of expenditure is in line with previous years and was at the higher end of our targeted 16% to 20% range. This level of R&D clearly demonstrates the importance the Group places on R&D in maintaining product leadership in a rapidly changing and competitive market place.

Broadly the R&D expenditure was applied to:

- Continued enhancement of the Gentrack Velocity 4 product – focusing on new modules aligned with customer and market requirements including Market Reconciliation and Submissions; 'Cloud' deployment; Commercial & Industrial Billing; Smart Billing; BI Tools; Tradewaste Billing and CRM tools.
- Continued enhancement of *Gentrack Velocity for Networks* including capabilities to support upgrades throughout New Zealand and new business opportunities in Australia and the UK.
- Delivery platforms for our 'Software as a Service' and 'Cloud' based application delivery.
- Additional water billing (e.g. Tradewaste) functionality to support continued expansion of Gentrack's footprint in the Water markets across New Zealand, Australia and the UK.
- Country specific enhancements in particular those needed for continued growth in the UK and Australian utility markets.
- Technology review and enhancement to support new product delivery models including via third party channel partners.
- Functional additions to the mDATA21 product to support the evolving "Smart Grid" energy market.
- Airport 20/20 product expansion to maintain existing position as a leader in aeronautical billing solutions and to support new business opportunities in Europe, North America and Asia.

Our close evaluation of competitive products, and our continued success in winning new business, gives us great confidence that the Group's products are market leaders in their technology, functionality and general fit for their target customer bases..

11. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 33 and forms part of the directors' report for the financial year ended 30 September 2011.

12. Rounding off

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 consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

13. Share options

At the date of this report unissued ordinary shares of the Company under option are:

Grant date	Exercise price	Number of shares
17 February 2009	$2.00	200,000
22 December 2009	$2.50	50,000

John Clifford

J Clifford
Director

Dated at Melbourne this 9th day of March 2012

Talgentra Pacific Group Pty Ltd
Consolidated statement of comprehensive income
For the year ended 30 September 2011

In thousands of AUD	Note	Group 2011	2010
Revenue from sale and licensing of goods	5(a)	7,936	7,861
Revenue from rendering services	5(a)	16,945	13,207
		24,881	21,068
Cost of sales – goods		(1,639)	(2,343)
- services revenue		(9,048)	(7,468)
		(10,687)	(9,811)
Gross profit		14,194	11,257
Other income	5(b)	298	-
Administrative expenses		(3,886)	(3,461)
Sales and marketing expenses		(2,649)	(1,924)
Results from operating activities		7,957	5,872
Financial income	8	163	150
Financial expenses	8	(1,322)	(767)
Net finance expense		(1,159)	(617)
Profit before income tax		6,798	5,255
Income tax expense	9	(2,055)	(1,518)
Profit for the year		4,743	3,737
Other comprehensive income			
Foreign currency translation differences		147	86
Other comprehensive income for the year, net of tax		147	86
Total comprehensive income for the year		4,890	3,823

The notes on pages 10 to 29 are an integral part of these consolidated financial statements.

Talgentra Pacific Group Pty Ltd
Consolidated statement of changes in equity
For the year ended 30 September 2011

Group *In thousands of AUD*	**Share capital**	**Translation reserve**	**Retained earnings**	**Total equity**
Balance at 1 October 2009	10,087	230	4,788	15,105
Total comprehensive income for the year				
Profit	-	-	3,737	3,737
Total other comprehensive income	-	86	-	86
Total comprehensive income for the year	-	86	3,737	3,823
Transactions with owners of the Company, recognised directly in equity				
Dividends to owners of the Company	-	-	-	-
Total transaction with owners	-	-	-	-
Balance at 30 September 2010	10,087	316	8,525	18,928
Balance at 1 October 2010	10,087	316	8,525	18,928
Total comprehensive income for the year				
Profit	-	-	4,743	4,743
Total other comprehensive income	-	147	-	147
Total comprehensive income for the year	-	147	4,743	4,890
Transactions with owners of the Company, recognised directly in equity				
Dividends to owners of the Company	-	-	(10,969)	(10,969)
Total transaction with owners	-	-	(10,969)	(10,969)
Balance at 30 September 2011	10,087	463	2,299	12,849

Amounts are stated net of tax

The notes on pages 10 to 29 are an integral part of these consolidated financial statements.

Talgentra Pacific Group Pty Ltd
Consolidated statement of financial position
As at 30 September 2011

In thousands of AUD	Note	Group 2011	2010
Assets			
Cash and cash equivalents	10	1,942	3,137
Trade and other receivables	11	6,809	6,099
Unbilled revenues	12	3,780	1,300
Total current assets		12,531	10,536
Property, plant and equipment	14	487	505
Deferred tax assets	13(b)	152	-
Intangible assets	15	21,483	23,587
Total non-current assets		22,122	24,092
Total assets		34,653	34,628
Liabilities			
Current tax payable	13(a)	1,260	1,232
Trade and other payables	16	7,696	6,139
Loans and borrowings	17	6,841	1,331
Employee benefits	18	689	630
Total current liabilities		16,486	9,332
Deferred tax liabilities	13(b)	-	291
Loans and borrowings	17	5,199	6,024
Employee benefits	18	119	53
Total non-current liabilities		5,318	6,368
Total liabilities		21,804	15,700
Net assets		12,849	18,928
Equity			
Share capital	19	10,087	10,087
Reserves	19	463	316
Retained earnings		2,299	8,525
Total equity		12,849	18,928

The notes on pages 10 to 29 are an integral part of these consolidated financial statements.

Talgentra Pacific Group Pty Ltd
Consolidated statement of cash flows
For the year ended 30 September 2011

		Group	
In thousands of AUD	Note	2011	2010
Cash flows from operating activities			
Cash receipts from customers		24,550	23,175
Cash paid to suppliers and employees		(15,969)	(17,934)
Cash generated from operations		8,581	5,241
Interest received	8	31	18
Interest paid	8	(1,049)	(703)
Income tax payments		(2,340)	(1,561)
Net cash from operating activities	24	5,223	2,995
Cash flows from investing activities			
Acquisition of plant and equipment	14	(134)	(422)
Disposal of plant and equipment		-	25
Net cash used in investing activities		(134)	(397)
Cash flows from financing activities			
Proceeds from borrowings		6,000	-
Payment of dividends		(10,969)	-
Repayment of borrowings		(1,315)	(2,324)
Payment of finance lease liabilities		-	(10)
Net cash used in financing activities		(6,284)	(2,334)
Net (decrease)/increase in cash and cash equivalents		(1,195)	264
Cash and cash equivalents at beginning		3,137	2,873
Cash and cash equivalents at 30 September	10	1,942	3,137

The notes on pages 10 to 29 are an integral part of these consolidated financial statements.

Talgentra Pacific Group Pty Ltd
Notes to the consolidated financial statements

1. Reporting entity

Talgentra Pacific Group Pty Ltd ('the Company') is a company domiciled in Australia. The address of the Company's registered office is Level 9, 390 St Kilda Road, St Kilda, Melbourne, VIC 3004.

In the opinion of the directors, the Group is not a reporting entity. The consolidated financial statement of the Group has been drawn up as a special purpose financial report for distribution to the members and for the purpose of fulfilling the requirements of the Corporations Act 2001.

2. Basis of preparation

(a) Statement of compliance

The special purpose consolidated financial statements has been prepared in accordance with the requirements of the Corporations Act 2001 and the recognition, measurement and classification aspects of all applicable Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board (AASB).

The financial report does not include the disclosure requirements of the following pronouncements having a material effect:
AASB 2 Share-based Payments
AASB 7 Financial instruments: Disclosures
AASB 112 Income Taxes
AASB 117 Leases
AASB 118 Revenue
AASB 124 Related Party Disclosures
AASB 136 Impairment of Assets
AASB 138 Intangible Assets

The financial statements were approved by the Board of Directors on 9 March 2012.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items in the statement of financial position:
derivative financial instruments are measure at their fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency and the functional currency of the majority of the Group.

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, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(e) Changes in accounting policies

Presentation of transaction recognised in other comprehensive income
From 1 September 2010 the Group has applied amendments to AASB 101 Presentation of Financial Statements outlined in AASB 2010-4 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project. The change in accounting policy only relates to disclosures and had no impact on consolidated net income. The changes have been applied retrospectively and allow the Group to disclose transactions recognised in other comprehensive income. The change had no impact on disclosures.

2. Basis of preparation (continued)

(e) Changes in accounting policies (continued)

Removal of parent entity financial statements

The Group has applied amendments to the Corporations Act (2001) that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in note 29. The financial information for the parent entity, Talgentra Pacific Group Pty Ltd has been prepared on the same basis as the consolidated financial statements.

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

3. Significant accounting policies

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Acquisitions between 1 September 2004 and 1 October 2009

For acquisitions between 1 September 2004 and 1 October 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised against the cost of the business combination and the goodwill recognised at acquisition is remeasured.

The accounting standard for Business Combinations was revised for acquisitions from 1 October 2009.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(iii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

3. Significant accounting policies (continued)

(b) Foreign currency (continued)

(i) Foreign currency transactions continued

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of the foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date.
The income and expenses of foreign operations are translated to Australia dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on acquisition are translated to Australian dollars at exchange rates at the date of acquisition. Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve (FCTR) in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in FCTR is transferred to profit or loss as part of the gain or loss on disposal.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: cash and cash equivalents, trade and other receivables and loans and borrowings.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables and loans and borrowings.

Cash and cash equivalents comprise bank balances and cash on hand. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. **Significant accounting policies (continued)**

(c) Financial Instruments (continued)

(ii) Non-derivative financial liabilities (continued)

The Group has the following non-derivative financial liabilities: trade and other payables and loans and borrowings.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposures.

For derivative financial instruments that are designated in a qualifying hedge relationship, on initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to hedged risk, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss. In the current and prior financial year, the Group's interest rate swaps were not designated in a qualifying hedge relationship.

(iv) Share Capital

Ordinary and Class A shares

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

(d) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and gains are recognised net within "other income" in profit or loss.

3. **Significant accounting policies (continued)**

(d) Plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful life for the current and comparative periods is as follows:

- Plant and equipment 3 - 7 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases. The leased assets are not recognised in the Group's statement of financial position.

(f) Intangible assets

(i) Goodwill

Goodwill arises from the acquisition of business assets. It represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is calculated over the cost of the asset or another amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this mostly reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current periods are as follows:

- Software assets:
  - External use software 7 years
  - Internal use software 3 years

3. **Significant accounting policies (continued)**

(iv) Amortisation (continued)

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual loses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

3. **Significant accounting policies (continued)**

(h) Impairment (continued)

(ii) Non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group's of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations.

(iii) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations reslting from employees' services provided to reporting date and are 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 and payroll tax. These are expensed as the services are provided. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

3. **Significant accounting policies (continued)**

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(k) Revenue

Revenues are recognised at the fair value of the consideration received, net of goods and services tax (GST). Sales revenue comprises revenue earned from the provision of goods and services to entities outside of the Group.

Sale of goods
Revenue from the sale of goods is measured at the fair value of consideration received or receivable (net of returns, discounts and allowances) when control of the goods passes to the customer.

Licence fee revenue
Initial licence fees for new customers are recognised in full on installation of the software provided the customer is committed to pay on installation. Initial licence fees for existing customers are recognised in full on signing of the contract where there are minimal or no on-going license services required. Annual licence fees are recognised evenly over the licence period.

Rendering of services
Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. Unbilled income earned is recognised as "Unbilled revenues".

(l) Lease payments

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the lease term.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(m) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis and are recorded as either finance income (net foreign currency gains) or finance expense (net foreign currency losses).

3. **Significant accounting policies (continued)**

(n) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of cash dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax–consolidated group with effect from 4 December 2007 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Talgentra Pacific Group Pty Ltd.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "group allocation" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Group recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

3. Significant accounting policies (continued)

(n) Income tax (continued)

(ii) Nature of tax funding arrangement and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts.

The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

(o) Goods and services tax

Revenue, 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 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 statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO, are classified as operating cash flows.

(p) New standards and interpretations not yet adjusted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 September 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(iii) Intangible assets

The fair value of other intangible assets at the date of acquisition as part of a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets. The valuation method used was a discounted cash flow analysis for the Gentrack and Airport software and replacement cost for the internal use software.

4. Determination of fair values (continued)

(iv) Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

5(a). Revenue

In thousands of AUD	Consolidated 2011	2010
Software licensing and sale of goods	7,936	7,861
Rendering of services	16,945	13,207
	24,881	21,068

5(b). Other income

In thousands of AUD	Consolidated 2011	2010
Grant revenue	298	-
	298	-

6. Personnel expenses

In thousands of AUD	Consolidated 2011	2010
Wages and salaries	10,914	8,732
Contributions to defined contribution plans	246	213
	11,160	8,945

7. Auditors' remuneration

In AUD	Consolidated 2011	2010
Audit services		
Auditors of the Group		
KPMG Australia:		
Audit and review of financial reports	47,858	45,450
Overseas KPMG Firms:		
Audit and review of financial reports	24,930	23,424
	72,788	68,874
Other services		
Auditors of the Group		
KPMG Australia:		
Taxation services	13,039	80,650
Preparation of financial statements	29,590	28,100
Overseas KPMG Firms:		
Other assurance services	-	12,672
Preparation of financial statements	4,414	4,148
Taxation services	71,931	63,746
	118,974	189,316

8. Finance income and expenses

In thousands of AUD	Consolidated 2011	2010
Interest income	31	18
Fair value of interest rate swaps at period end	132	132
Financial income	163	150
Net foreign exchange loss	(273)	(64)
Interest expense	(1,049)	(703)
Financial expenses	(1,322)	(767)
Net finance expense	(1,159)	(617)

9. Income tax expense

Reconciliation of effective tax rate

In thousands of AUD	Consolidated 2011	2010
Profit for the year	6,798	5,255
Income tax using the Group's domestic tax rate of 30% (2010: 30%)	2,039	1,577
Increase in income tax expense due to:		
Other non-deductible expenses	-	14
Tax rate changes	43	-
Decrease in income tax expense due to:		
Other non-assessable income	(16)	(104)
	2,066	1,487
(Over) / under provided in prior years:		
Other items	(11)	31
	2,055	1,518

The New Zealand subsidiaries had a tax rate change to 28%. The changes are effective from 2011/2012 income tax year. Deferred tax assets and liabilities for these subsidiaries has been measured at the tax rate of 28%.

10. Cash and cash equivalents

In thousands of AUD	Consolidated 2011	2010
Bank balances	1,942	3,137
Cash and cash equivalents in the statement of cash flows	1,942	3,137

11. Trade and other receivables

In thousands of AUD	Consolidated 2011	2010
Current		
Trade receivables and prepayments - third parties	6,809	5,999
Other receivables	-	100
	6,809	6,099

Trade receivables and prepayments - third parties is shown net of an allowance for doubtful debts of $32,000 (2010: nil) recognised in the current year.

12. Unbilled revenues

In thousands of AUD	Consolidated 2011	2010
Unbilled service revenues	3,780	1,300
	3,780	1,300

13. Tax assets and liabilities

(a) *Tax liability*

The current tax liability for the Group of $1,260 thousand (2010: $1,232 thousand) represents the amount of income tax payable in respect of current and prior financial periods.

(b) *Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
In thousands of AUD	2011	2010	2011	2010	2011	2010
Employee entitlements	176	155	-	-	176	155
Property, plant and equipment	-	-	(48)	(55)	(48)	(55)
Deferred income	265	243	-	-	265	243
Intangible software asset	402	385	(815)	(1,054)	(413)	(669)
Unbilled services and accrued income	-	-	(198)	(176)	(198)	(176)
Other	370	211	-	-	370	211
Tax assets / (liabilities)	1,213	994	(1,061)	(1,285)	152	(291)

14. Plant and equipment

In thousands of AUD	Plant and equipment	Consolidated Computer equipment	Total
Cost			
Balance at 1 October 2009	237	190	427
Additions	348	74	422
Disposals	(109)	(4)	(113)
Balance at 30 September 2010	476	260	736
Balance at 1 October 2010	476	260	736
Additions	38	96	134
Disposals	(1)	(4)	(5)
Balance at 30 September 2011	513	352	865

In thousands of AUD	Plant and equipment	Consolidated Computer equipment	Total
Depreciation			
Balance at 1 October 2009	112	40	152
Depreciation for the year	73	61	134
Disposals	(51)	(4)	(55)
Balance at 30 September 2010	134	97	231
Balance at 1 October 2010	134	97	231
Depreciation for the year	80	72	152
Disposals	(1)	(4)	(5)
Balance at 30 September 2011	213	165	378
Carrying amounts			
At 1 October 2009	125	150	275
At 30 September 2010	342	163	505
At 30 September 2011	300	187	487

15. Intangibles

In thousands of AUD	Consolidated		
	Goodwill	Software assets	Total
Cost			
Balance at 1 October 2009	19,172	7,647	26,819
Balance at 30 September 2010	19,172	7,647	26,819
Balance at 1 October 2010	19,172	7,647	26,819
Less: reversal of deferred consideration	(1,145)	-	(1,145)
Balance at 30 September 2011	18,027	7,647	25,674

In thousands of AUD	Consolidated		
	Goodwill	Software assets	Total
Amortisation			
Balance at 1 October 2009	-	2,205	2,205
Amortisation for the year	-	1,027	1,027
Disposals	-	-	-
Balance at 30 September 2010	-	3,232	3,232
Balance at 1 October 2010	-	3,232	3,232
Amortisation for the year	-	959	959
Disposals	-	-	-
Balance at 30 September 2011	-	4,191	4,191
Carrying amounts			
At 1 October 2009	19,172	5,442	24,614
At 1 October 2010	19,172	4,415	23,587
At 30 September 2011	18,207	3,456	21,483

Impairment analysis- Goodwill

The Group has assessed the carrying value of the goodwill as exceeding its book value, using a discounted cash flow analysis to derive an enterprise valuation of the business which incorporates a discount rate of 15%, based on an estimate of the Group's post-tax weighted average cost of capital, and a terminal growth rate of 2%.

16. Trade and other payables

In thousands of AUD	Consolidated 2011	2010
Trade payables	396	741
Deferred income	5,046	2,956
Non-trade payables and accrued expenses, including derivatives	2,254	2,442
	7,696	6,139

Non-trade payables and accrued expenses includes contingent consideration of $nil (2010: $1,245 thousand) relating to Talgentra Pacific Group Pty Ltd's acquisition of Sanderson Pacific Pty Ltd on 4 December 2007. This liability was reversed to goodwill as this is no longer payable.

17. Loans and borrowings

Current

In thousands of AUD	Consolidated 2011	2010
Secured bank loans	6,841	1,331
	6,841	1,331

Non-current

Secured bank loans	5,199	6,024
	5,199	6,024

18. Employees benefits

Current

In thousands of AUD	Consolidated 2011	2010
Liability for annual leave	547	495
Liability for long-service leave	142	135
	689	630

Non-current

Liability for long-service leave	119	53
	119	53

(a) Superannuation fund

The Group makes contributions to a defined contribution superannuation fund. The amount recognised as an expense was $246,528 for the year ending 30 September 2011 (2010: $213,716).

19. Capital and reserves

Share capital

	The Company Shares issued	Unit value $	Cumulative Share Capital In thousands of AUD
On issue at 1 October 2010:			
Ordinary shares	1,768,347	0.487	862
	4,498,621	1.000	4,499
	2,741,107	1.000	2,741
Class A shares	26,316	1.900	50
	1,934,966	1.000	1,935
On issue at 30 September 2011	10,969,357		10,087

19. Capital and reserves (continued)

Share capital (continued)

The Company does not have authorised capital or par value in respect of its issued shares.
Ordinary and Class A shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

For details of the Company's employee share option plan, refer note 28.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

20. Dividends

The following dividends were declared and paid by the Group.

	Cents per share	Total amount	Date of payment
Final 2010 Ordinary	100.00	$10,969,357	23 December 2010

Franked dividends declared as paid during the year was franked at the rate of 30 percent.

Dividend franking account

	The Company	
In thousands of AUD	**2011**	**2010**
30% franking credits available to the shareholders of Talgentra Pacific Group Pty Ltd for subsequent financial years	1,520	6,321

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

(a) Franking credits that will arise from the payment of current tax liabilities
(b) Franking debits that will arise from the payment of dividends recognised a liability at the year-end
(c) Franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end, and
(d) Franking credits that the entity may be prevented from distributing in subsequent years.

In accordance with the tax consolidation regime, the Company as the head entity in the tax-consolidated group has also assumed the benefit of $1,520 thousand (2010: 6,321 thousand).

21. Operating Leases

Leases as lessee

Non-cancellable operating lease and equipment rentals are payable as follows:

	Consolidated	
In thousands of AUD	**2011**	**2010**
Less than one year	628	567
Between one and five years	2,332	2,537
Greater than five years	1,242	1,216
	4,202	4,320

21. Operating Leases (continued)

The Group leases its business facilities under operating leases. Leases of property generally provide the Group with a right of renewal at which time all terms are renegotiated. During the year ended 30 September 2011 the Group recognised $735,048 (2010: $679,299) as an expense in the income statement in respect of operating leases.

22. Capital and other commitments

The Group did not have any material capital or other commitments at the end of the period.

23. Investments and consolidated entities

	The Company	Country of Incorporation	Ownership interest
	In thousands of AUD		
Parent entity	2011		2010
Talgentra Pacific Group Pty Limited		Australia	100%
Subsidiaries			
Sanderson Pacific Pty Limited (1)	27,259	Australia	100%
Talgentra NZ Holdings Limited (2)	6,142	New Zealand	100%
	33,401		

(1) Sanderson Pacific Pty Ltd has a 100% ownership interest in Gentrack Pty Ltd, an Australian registered company. Sanderson Pacific Pty Ltd is in the process of being deregistered.
(2) Talgentra New Zealand Holdings Limited has a 100% ownership interest in Gentrack Ltd, a New Zealand registered company.

24. Reconciliation of cash flows from operating activities

		Consolidated	
In thousands of AUD	Note	2011	2010
Cash flows from operating activities			
Profit for the period		4,743	3,737
Adjustments for:			
Depreciation	14	152	134
Amortisation of intangible assets	15	959	1,027
Reversal of deferred consideration	15	1,145	-
Loss on sale of plant and equipment		-	32
Interest expense	8	1,049	703
Income tax expense	9	2,055	1,518
Effect of exchange rate fluctuations		147	86
Profit before changes in working capital and provisions		10,250	7,237
Change in trade and other receivables		(710)	(2,171)
Change in unbilled revenues		(2,480)	(46)
Change in trade and other payables and provisions		1,552	239
Cash generated from operations		8612	5,259
Interest paid		(1,049)	(703)
Income tax paid		(2,340)	(1,561)
Net cash from operating activities		5,223	2,995

25. Subsequent events

There have been no events subsequent to balance date which would materially affect the financial statements.

26. Principal registered office

The registered address and principal place of business is: Level 9, 390 St. Kilda Road, St Kilda, Victoria 3004.

27. Capital management

The Board's policy is to maintain a strong capital base so as to monitor shareholder, customer and creditor confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and the level of dividends paid to shareholders.

28. Share based payments

On 16 December 2008 the Group established a share option plan that entitles senior employees to purchase shares in the Company. In accordance with this plan, options are exercisable at the market price of the shares upon the occurrence of an exit event.

The terms and conditions of the options granted are as follows: all options are to be settled by physical delivery of shares upon the Group achieving an exit event. All options expire on the termination of the employee's employment.

Grant date	Number of shares	Vesting condition
17 February 2009	200,000	Group achieving an exit event and the employee
22 December 2009	50,000	being a current employee.

The fair value determined at the grant dates of 17 February 2009 (200,000 options) and 22 December 2009 (50,000 options) with exercise prices of $2.00 and $2.50 respectively did not give rise to a material share based payment expense in the 2011 financial year.

29. Parent entity financial information

As at and throughout the financial year ended 30 September 2011, the parent entity of the Group was Talgentra Pacific Group Pty Ltd.

In thousands of AUD	Note	Company 2011	Company 2010
Financial position of parent entity			
Current assets		1,666	1,157
Non-current assets		54,628	55,774
Total assets		56,294	56,931
Current liabilities		6,224	1,423
Non-current liabilities		17,477	10,528
Total liabilities		23,701	11,951
Shareholders' equity			
Share capital		10,087	10,087
Retained earnings/accumulated losses	**(1)**	22,506	34,893
Total equity		32,593	44,980
Result of parent entity			
Profit / (loss) for the year		(1,418)	36,625
Other comprehensive income		-	-
Total comprehensive income	**(2)**	(1,418)	36,625

(1) During the year, the company paid dividends of $10.969 million (2010:nil).
(2) During the year, dividends of $nil were received from Sanderson Pacific Pty Ltd (2010: $37.405 million).

29. Parent entity financial information (continued)

(a) Guarantees entered into by the parent entity

Talgentra Pacific Group Pty Ltd has entered into a financial guarantee of $37,804 (2010: $37,804).

(b) Contingent liabilities of the parent entity

Talgentra Pacific Group Pty Ltd does not have any contingent liabilities in the current or previous financial year.

(c) Contractual commitments for the acquisition of property, plant and equipment

Talgentra Pacific Group Pty Ltd does not have any significant contractual commitments as at 30 September 2011 or 30 September 2010.

30 Contingencies

The Group has contingent liabilities under trade letters of credit. The liabilities outstanding under letters of credit amount to $13,000,000, which expire on 30 November 2012.

Talgentra Pacific Group Pty Ltd
Directors' declaration

In the opinion of the directors of Talgentra Pacific Group Pty Ltd ('the Company'):

(a) The Group is not a reporting entity;

(b) the Group financial statements and notes, set out on pages 6 to 29, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Group as at 30 September 2011 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Notes 1 and 2; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Notes 1 and 2, and *the Corporations Regulations 2001*; and

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

Signed in accordance with a resolution of the directors:

John Clifford

J Clifford
Director

Dated at Melbourne this 9th day of March 2012

KPMG

Independent audit report to the members of Talgentra Pacific Group Pty Ltd

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Talgentra Pacific Group Pty Ltd (the Company), which comprises the consolidated statement of financial position as at 30 September 2011, and the 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 30 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Notes 1 to 4 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

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.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Notes 1 to 4 to the financial statements so as to present 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.

Independent audit report to the members of Talgentra Pacific Group Pty Ltd (continued)

Auditor's opinion

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 September 2011 and of its performance for the year ended on that date in accordance with the accounting policies described in Notes 1 to 4; and

(b) complying with Australian Accounting Standards to the extent described in Note 2 and the Corporations Regulations 2001.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

KPMG

KPMG

Tony Batsakis
Partner

Melbourne
9 March 2012

Lead auditor's independence declaration under Section 307C of the Corporations Act

To: the directors of Talgentra Pacific Group Pty Limited

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

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

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

KPMG

KPMG

Tony Batsakis
Partner

Melbourne
9 March 2012